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Ontario. Legislative assembly Committee
Select committee on consumer credit
Hearings

SELECT COMMITTEE ON CONSUMER CREDIT

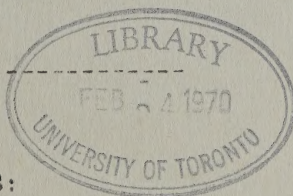
Proceedings of the hearing
held at the Parliament Build-
ings, Toronto, Ontario, on
the 24th day of July, 1963.

COMMISSION:

Mr. H. J. Price	--Chairman
Mr. J. Sedgwick, Q.C.	--Commission Counsel
Mrs. S. Dell	--Secretary

P R E S E N T:

Mr. D. W. Irwin, C.A.	--Financial Consultant
Mr. M. Belanger	--Member
Mr. P. Hoffman	--Member
Mr. W. G. Noden	--Member
Mr. L. Letherby	--Member
Mr. L. Reilly	--Member
Mr. J. White	--Member
Mr. D. C. MacDonald	--Member
Mr. G. Bukator	--Member
Mr. A. F. Lawrence	--Member



A P P E A R A N C E S:

Mr. H. Latimer	--Harry Latimer Ltd.
Mr. S. J. Sitzer	--Lance Realty Finance Limited
Mr. L. Taube	--Barrister & Mortgage Broker
Mr. W. Peter Carter	--Real Estate Manager, C. A. C. Realty Limited



ANGUS, STONEHOUSE & CO. LTD.
TORONTO, ONTARIO

1 APPEAR SELECT COMMITTEE ON CONSUMER CREDIT

2 Mr. A. Proceedings of the hearing for Discount
3 held at the Parliament Buildings, Toronto, Ontario, on
4 the 24th day of July, 1963.

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7 Mr. J. Sedgwick, Q.C. --Commission Counsel
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12 Consultant
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18 Mr. J. White --Member
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20 Mr. G. Bukator --Member
21 Mr. A. F. Lawrence --Member

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24 A P P E A R A N C E S:

25 Mr. H. Latimer --Harry Latimer Ltd.
26 Mr. S. J. Sitzer --Lance Realty
27 Finance Limited
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29 Broker
30 Mr. W. Peter Carter --Real Estate Manager,
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Limited



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Mr. G. Bakator -- Member
Mr. A. F. Lawrence -- Member

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 C. A. G. Realty
 Limited



Toronto, Ontario
July 24, 1963

629

A P P E A R A N C E S:

Mr. A. Posluns

--Superior Discount
Limited

THE CHAIRMAN: I should point out to the
photographers that there are no pictures permitted in
the Committee room. * * * * * told you that
before. Thank you. Before we proceed with -- to hear
Mr. Latimer of Harry Latimer Limited, Mr. Lawrence has
a statement he would like to make in connection with
yesterday's hearing. Mr. A. Latimer asked -- if there
MR. LAWRENCE: It is not quite a statement,
Mr. Chairman, but I hesitated to bring this matter up
yesterday in case somebody could accuse us in the heat
of the moment, in the heat of the anger, I think, that
was in the minds of all of us, in regard to that
testimony of Forest Hill Investments and Mr. Newton --
I didn't want to put the idea across that this is a
kangaroo court or a witch hunt or anything like that --
but after attempting to calmly appraise the testimony
that we heard yesterday in regard to that one particular
licence holder in any event -- I was wondering if you
could advise us or whether we could do it right now and
pass some sort of a resolution or directive to the
Department of Insurance to immediately convene a hearing
to show cause why that particular licence should not be
immediately cancelled. And I do that not on the basis
of the high interest rate that came before this Committee
yesterday, but the fact that here we had a person well
versed in the ins and outs of that particular seamy
business who obviously, I believe, misled this Committee



ANDREW STONEHOUSE & CO. LTD.
TORONTO, ONTARIO

APPEARANCES:

Mr. A. Postings
--Superior Discount
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Toronto, Ontario
July 24, 1963

629

1 --ON COMMENCING AT 10:00 A.M.

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1 in regard to the amount of interest he was charging some
2 of his clients and particularly in some of those
3 instances that came before us. Now my logic, if it is
4 logic, is that if he would come before a select Committee
5 of the Legislature and obviously deceive us, then
6 obviously as well he has done that to those people about
7 which we heard those complaints yesterday and I think it
8 certainly is in the view of the Department of Insurance--
9 that is one reason why the Act was passed -- if there
10 are individuals in the business who mislead and intention-
11 ally mislead people in regard to those matters, then
12 their licence can be revoked by the Department of
13 Insurance. Now apart from the fact that the Department
14 has attempted, and has been successful in their attempts,
15 to make that particular individual return some of the
16 money that he has taken from those people, I still find
17 it almost inconceivable that, in regard to the evidence
18 that we had presented to us yesterday and the manner in
19 which that evidence was presented yesterday, that that
20 particular individual still holds a licence and I was
21 wondering, sir, if we could in this particular Committee
22 here today, instruct, if we have that power, or suggest
23 in any event, to the Department of Insurance, that they
24 convene a hearing for that particular man so that that
25 particular man's licence can be cancelled?

26 THE CHAIRMAN: Well, we will take your suggestion
27 into consideration and we will give it some thought today
28 and decide later on what we can do and perhaps what we
29 should do. We will now ask Mr. H. Latimer of the Harry
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29 should do. We will now ask Mr. H. Latimer of the Harry



1 Latimer Limited to give us his opening remarks and I
2 understand he has no prepared speech but if you would
3 care to make a statement about your business, Mr. Latimer,
4 and then perhaps some of the members may have some
5 questions to ask. You are a mortgage broker?

6 MR. LATIMER: That's right.

7 THE CHAIRMAN: As I understand it. Just carry
8 on.

9 MR. LATIMER: Well, actually I have nothing
10 much to complain about. I am open to questions.

11 THE CHAIRMAN: Well, you might tell us how
12 long you have been in the mortgage brokerage business.

13 MR. LATIMER: I would say Mr. Simone would
14 know about that better than I would, or the Department
15 of Insurance -- it's around 20 years, 22 years, something
16 like that.

17 THE CHAIRMAN: And where do you maintain your
18 offices?

19 MR. LATIMER: 330 Bay Street.

20 THE CHAIRMAN: And could you tell us what
21 percentage of your business would be in second mortgages?

22 MR. LATIMER: I would say it's about 50-50 --
23 first and seconds.

24 THE CHAIRMAN: And have you noticed any
25 changes in the business over the last two or three
26 years? In the way the business is conducted generally?

27 MR. LATIMER: I think it's been cleaned up.
28 I hear these things that Mr. Lawrence was talking about.
29 I don't see them in my business. I see a few -- still
30



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1 come across some of the fellows that have been -- their
2 licence has been revoked. I still come across some of
3 their mortgages but since this Act was passed that you
4 can't actually, you know, do anything about trying to
5 help the home owner to get their money back, all I can
6 do is sympathize with them.

7 THE CHAIRMAN: Are you a member of the
8 Mortgage Brokers' Association?

9 MR. LATIMER: No.

10 THE CHAIRMAN: Could you tell us why you
11 haven't joined?

12 MR. LATIMER: Yes, I can tell you in a few
13 words. I consider the Mortgage Brokers' Association
14 was formed -- and this is my opinion, they can sue me
15 on it -- I consider that they were formed to protect
16 themselves, not the public. I think Mr. Simone is the
17 one who is protecting the public. I don't think the
18 Mortgage Brokers' Association is doing anything but
19 protecting themselves. I don't need that protection.

20 THE CHAIRMAN: You feel that there would be
21 no advantage to you to belong to the Association?

22 MR. LATIMER: I wouldn't -- in fact I consider
23 it to be a disadvantage.

24 THE CHAIRMAN: Mr. Irwin?

25 MR. IRWIN: Mr. Latimer, insofar as you aren't
26 submitting any kind of a formal statement, perhaps you
27 could answer a few questions so we could get a better
28 picture of how your operations fit into this general
29 enquiry?

30



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THE CHAIRMAN: You feel that there would be

no advantage to you in joining the Association?

MR. LATHAM: I wouldn't -- in fact I consider

it to be a disadvantage.

THE CHAIRMAN: Mr. Latham,

MR. LATHAM: Yes, I know, I know as you aren't

submitting any kind of a formal statement, perhaps you
could answer a few questions so we could get a better
picture of how your operation fits into the general

ending?



1 MR. LATIMER: Certainly.

2 MR. IRWIN: You are a mortgage broker as such?

3 MR. LATIMER: That's right, as such.

4 MR. IRWIN: And as a mortgage broker you don't
5 make loans out of your own capital?

6 MR. LATIMER: No.

7 MR. IRWIN: You always find the capital else-
8 where?

9 MR. LATIMER: That's right.

10 MR. IRWIN: What would be the main sources of
11 those funds for lending to borrowers?

12 MR. LATIMER: Private individuals, several
13 limited companies who are -- have -- funds to loan out
14 for investment and -- well, I am now speaking of second
15 mortgages -- first mortgages is private funds and estate
16 money.

17 MR. IRWIN: I see. And I am interested in the
18 mechanics of these operations. Someone comes in to
19 borrow money from you on a first mortgage, they have
20 a home clear of encumbrance and they need money and
21 they come to you and they want a first mortgage. Do you
22 then assess that situation and decide that it's worthy
23 of a first mortgage of five thousand or ten thousand or
24 what have you. Then do you consult a list of people who
25 have indicated to you that they would like to obtain an
26 investment in a good first mortgage. Is that how you
27 work?

28 MR. LATIMER: Yes. I always have a ready
29 source for what -- in other words I fit the amount wanted
30



MR. LATTIMER: Carefully.

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MR. LATTIMER: That's right, as such.

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MR. LATTIMER: I see. And I am interested in the

possibilities of these operations. Someone comes in to

borrow money, then you on a first mortgage, they come

a loan clerk of some kind and they need money and

they come to you and they want a first mortgage, do you

then assess that situation and decide that it's worthy

of a first mortgage of the kind of loan you're making on

what have you. Then do you compile a list of people who

have indicated to you that they would like to obtain an

investment in a good first mortgage. Is that how you

operate?

MR. LATTIMER: Yes, I think so.

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1 and the quality of the property with what funds are
2 available.

3 MR. IRWIN: You have a list of people or
4 institutions or other companies or what have you that
5 have indicated to you that they would like a first
6 mortgage of prime quality at 7% and so on. Somebody else
7 is interested in a second mortgage of different return
8 and so on?

9 MR. LATIMER: That's right.

10 MR. IRWIN: So when the borrower comes in you
11 are able to, mentally at any rate, to say, "Well that's
12 a good one for Irwin or Price or what have you"?

13 MR. LATIMER: That's right.

14 MR. IRWIN: And you put the two together and
15 that's the essence of it?

16 MR. LATIMER: That's right.

17 MR. IRWIN: What fee do you charge?

18 MR. LATIMER: Well, I thought that you people
19 would have a copy of my ads in the Star and Tele every
20 day.

21 MR. IRWIN: Has anybody got that?

22 MR. LATIMER: Oh, dear -- maybe I have one here.
23 I'll see. I usually carry one. I may not have it though.
24 Well, I will give you some figures, if that's all you
25 want. I'll give you some figures, that's about the best
26 way I can -- for instance, I'll go by what's advertised
27 in the paper and that's more or less what I follow. Let
28 me see, a \$6,000 first mortgage at 7%, prime mortgage, I
29 have it advertised 20 years, it's either 15 or 20 years.
30



and the quality of the property which I understand

MR. TOWN: You have a list of people or

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a good one for him or price or what have you?"

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MR. TOWN: What do you charge?

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would have a copy of my list in the City and take every

MR. TOWN: How anybody got that?

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in the paper and that's more or less what I follow. Let

me see, a \$6,000 first mortgage at 7% prime mortgage, I

have it advertised 20 years. It's either 15 or 20 years.



1 And the charges on that, on \$6,000, you get \$5,750.

2 MR. IRWIN: \$5,750 -- so you're charging
3 \$250.00 as your fee?

4 MR. LATIMER: No, that includes legal fees,
5 legal disbursements.

6 MR. IRWIN: Including legal and other
7 disbursements?

8 MR. LATIMER: No, I -- listen, disbursements
9 are disbursements -- I am saying if there is -- I don't
10 cover discharge of an existing mortgage, but I cover, say,
11 12 to 15 dollars on the new mortgage, which is what the
12 Law Society says today for disbursements -- around 15
13 dollars, share certificate etc.

14 MR. IRWIN: Let's put it another way. I come
15 in to you and I want a first mortgage and it is settled
16 that the amount is \$6,000. How much actual cash do I --

17 MR. LATIMER: They get \$5,750, other than, say
18 they have maybe a first and second mortgage to discharge.
19 See that's another Solicitor, it's not my part --

20 MR. IRWIN: \$250.00 plus discharge fees and
21 any other -- and that, the \$250.00 would include what,
22 payment to a Solicitor --

23 MR. LATIMER: Yes, that pays the lawyer, yes.

24 MR. IRWIN: Well then, do you get nothing out
25 of this transaction?

26 MR. LATIMER: Certainly, I get usually about
27 \$125.00.

28 MR. IRWIN: Oh, I see. Of the \$250.00 you
29 would get, let's say, \$125.00, and \$125.00 to the
30



And the charges on that, on \$5,000, you get \$5.750.

MR. IRWIN: \$5,750 -- so your charge

\$500.00 as your fee?

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MR. IRWIN: \$5,000 plus disbursement fees and

any other -- and that, the \$500.00 would include what

payment to a solicitor --

MR. LATIMER: Yes, that pays the lawyer, yes.

MR. IRWIN: Well then, if you get nothing out

of this transaction.

MR. LATIMER: Certainly, I get nothing about

MR. IRWIN: Oh, I see. Of the \$5,000 you

would get, let's say, \$150.00, and \$150.00 to me



1 Solicitor?

2 MR. LATIMER: That's right.

3 MR. IRWIN: Well -- and that's on a first?

4 MR. LATIMER: No, if you want a little further
5 on that I go a little further. For \$8,500.00, \$300.00.

6 MR. IRWIN: And that would include --

7 MR. LATIMER: Everything, just as I told you.

8 MR. IRWIN: This is very interesting because
9 you are charging something less than 5%.

10 MR. LATIMER: Well, I make it on volume. I
11 make it -- I've done this since I've been in the
12 business. I'm not interested in taking a man for what I
13 can get. My fees are in the newspaper and that's what I
14 go by.

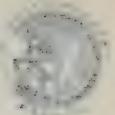
15 MR. IRWIN: I'm not trying to elicit any
16 unpleasant characteristics of your business, I'm just
17 trying to develop them because other people have come
18 and we have developed the pattern of their business and
19 we would like to be able to make a comparison so we can
20 get a picture. Now, you are charging, in effect, between
21 4 and 5 --

22 MR. LATIMER: Now, just a moment, sir, just one
23 moment. The higher it is, the cheaper it is. \$10,000.00
24 -- look in the Star or Tele, \$300.00.

25 MR. IRWIN: So that's down to 3%?

26 MR. LATIMER: And if they go on up, in other
27 words they borrow \$15,000.00, it might cost them \$350.00
28 and so on.

29 MR. IRWIN: Is this general, do you think, in
30



10-11-36

MR. LATTIMER: That's right.

MR. IRWIN: Well -- and looks on a little

MR. LATTIMER: No, it you want a little further

on that I go a little further. For \$2,500.00, \$300.00,

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MR. LATTIMER: Everything, just as I told you.

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4 and 5 --

MR. LATTIMER: Now, just a moment, and, just one

moment. The paper is in the cheapen in is. \$100.00

-- look in the year or two, \$200.00.

MR. LATTIMER: So that's down to \$200

MR. LATTIMER: And it that go on up, in other

words they borrow \$100.00, it might cost them \$250.00

and so on.

MR. IRWIN: In other words, do you think, in



1 the business?

2 MR. LATIMER: I don't know sir. I don't sit
3 in anybody else's office. I don't know what they do,
4 but I know one thing. I'm advertising that way, I
5 charge that way and I feel you don't need a Mortgage
6 Brokers' Association to dictate to you and tell you
7 what to do. I think that this business should be
8 conducted on competition, not a combine -- competition.
9 I'm a lone wolf and I'll always be a lone wolf. I don't
10 need anybody else to tell me what to do. If Mr. Simone
11 has a beef with me, which I'm sure he will tell you is
12 very seldom, I welcome it.

13 MR. IRWIN: Well, there are quite a number of
14 other questions.

15 MR. LATIMER: Now, I'll go into the second
16 mortgages --

17 MR. IRWIN: I would just like to make one --
18 get your viewpoint on this. We have had people here
19 who say that an area of 5 to 10% as a fee, including
20 legal costs, is what they consider reasonable on a first
21 mortgage.

22 MR. LATIMER: I think that's terrible -- 10%.
23 I think a man that borrows \$10,000.00 and has to pay
24 \$1,000.00 -- why the mortgage brokers should be shot.

25 MR. IRWIN: Okay. Well, then, still dealing
26 with a first mortgage, that is the only charge, there is
27 no bonus or anything else related to it. Now if we deal
28 with the \$6,000 amount, the borrower pays \$250.00 and takes
29 away with him \$5,750. Now, would that be 7% amortized
30

the business?

MR. LATIMER: I don't know sir. I don't sit

in anybody else's office. I don't know what they do,

but I know one thing. I'm advocating that way. I

change that way and I feel you don't need a Mortgage

Brokers' Association to dictate to you and tell you

what to do. I think that this business should be

conducted on competition, not a combine -- competition.

I'm a lone wolf and I'll always be a lone wolf. I don't

need anybody else to tell me what to do. If Mr. Someone

has a beef with me, which I'm sure he will tell you is

very seldom, I welcome it

MR. IRWIN: Well, there are quite a number of

MR. LATIMER: Now, I'll go into the second

mortgages --

MR. IRWIN: I would just like to make one --

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who say that an area of 5 to 10% as a fee, including

legal costs, is what they consider reasonable on a first

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MR. IRWIN: Okay. Well, then, still dealing

with a first mortgage, that is the only charge, there is

no bonus or anything else related to it. Now if we deal

with the \$5,000 amount, the borrower pays \$250.00 and takes

away with him \$5,750. Now, would that be 5% amortized



1 over 20 years?

2 MR. LATIMER: No, no. I do it this way. My
3 smallest term of mortgage is ten years. I give them
4 from ten years up. It all depends on -- I never give
5 a 20 -- you see that's a thing that being really, well,
6 the public is being misled. Even the trust companies,
7 if you want to bring them into it, now they -- a man
8 will go down to a trust company. He comes in to me for
9 a second mortgage after he's got the mortgage from the
10 trust company and he says, "I've got a 15 year mortgage".
11 I say, "Where did you get it?" I say, "Have you got a
12 copy of your mortgage?" I can point out to him that he
13 got a five year mortgage, that's all he got. He got
14 15 year amortization but he only got a five year
15 mortgage.

16 MR. IRWIN: Right.

17 MR. LATIMER: Now he doesn't know that. He
18 doesn't actually believe it. I think he has to go back,
19 read it over, still doesn't believe it. He calls his
20 lawyer and the lawyer finally tells him that that's what
21 it is.

22 MR. BELANGER: How does he get away with that?

23 MR. LATIMER: How does he get away with it?
24 Well, it's just a matter of, I feel, I don't want to be
25 sued by anybody here, but I can tell you this, that it's
26 being done all the time. A man will go down, and because
27 it's a trust company, just like he goes into a bank he
28 thinks that he can't do wrong.

29 THE CHAIRMAN: Are you suggesting that they
30

over 20 years?

MR. LATIMER: No, no. I do it this way. My

original term of mortgage is ten years. I give them
from ten years up. It all depends on -- I never give
a 20 -- you see that's a thing that being really, well,
the public is being misled. When the first companies
if you want to bring them into it, now they -- a man

will go down to a trust company. He comes in to me for
a second mortgage after he's got the mortgage from the

trust company and he says, "I've got a 15 year mortgage."
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used by anybody here, but I can tell you that that is

being done all the time. A man will go down, and because
it's a trust company just like he goes into a bank he

thinks that he can't be wrong.
THE CHAIRMAN: Are you suggesting that they



1 are trying to mislead the man?

2 MR. LATIMER: No, I'm not suggesting that.

3 MR. MACDONALD: No. I think that it's a
4 misunderstanding on his part, rather than anyone trying
5 to mislead him, don't you?

6 MR. LATIMER: No, I'm not saying he is being
7 misled. I mean that there are things that have to be
8 cleared up. The average man doesn't know the difference
9 between 15 year amortization and a 15 year mortgage.

10 MR. LAWRENCE: Mr. Chairman, let's not indulge
11 in double talk. Part of the problem here is people
12 have been informed of something for a long time. It's
13 a widespread knowledge that the public doesn't grasp
14 that but the trade is willing to keep on saying it
15 without explaining it so that you ask the question, "Are
16 they misleading him?" Well, no, they are not misleading
17 him. I can go and say something to a person that is a
18 half truth and know that I am misleading him but I am
19 still out in the clear and it seems to me this is part
20 of your problem. Maybe it gets back to the need for
21 public education, so that the public do know, perhaps
22 even before they come in.

23 MR. LATIMER: That's right. That's what I
24 think.

25 MR. LAWRENCE: On that question of the average
26 man misunderstanding. When somebody comes in to you
27 do you insist that he obtain independent advice from
28 anybody else before he signs up?

29 MR. LATIMER: I ask him if he wants to take
30

are trying to mislead the man?

MR. LATIMER: No, I'm not suggesting that.

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little tricky and know that I am misleading him but I am

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MR. LAWRENCE: On that question of the average

man misunderstanding. When somebody comes in to you

do you insist that he obtain independent advice from

anybody else before he signs up?

MR. LATIMER: I ask him if he wants to have



1 the application to his lawyer, definitely. Sure. It's
2 perfectly all right, it's, I'd say, 50% of my business
3 is done that way. It all depends whether the man wants
4 to seek --my business possibly is a little different
5 than most of them. I'd say 40% of my business is
6 referrals from other people I've helped to understand.
7 In other words they come in because John Jones up the
8 street or the next street over got a mortgage through
9 me, you see. So that I do have a certain amount of
10 trust, I think.

11 MR. LAWRENCE: From the testimony we are
12 getting here repeatedly day after day after day it is
13 obvious that a certain segment of the public-- call them
14 gullible, call them ignorant, call them stupid -- they
15 certainly do get fleeced in some of these mortgage
16 transactions.

17 MR. LATIMER: That's right.

18 MR. LAWRENCE: One of the purposes of this
19 Committee is to rectify this, --

20 MR. LATIMER: I have a few right here to
21 show you fellows whenever you want --

22 MR. LAWRENCE: By making sure that people
23 don't get into this thing. Does government, in your
24 view, have to step in to insist that independent advice
25 be given to these people, or can not the industry
26 itself police --

27 MR. LATIMER: Well, I think Mr. Simone --

28 MR. LAWRENCE: To obtain a code of ethics
29 to be sure that these things are done?
30



the application to his lawyer, definitely. Guess, it's perfectly all right, it's, I'd say, 50% of my business as done that way. It all depends whether the man wants to seek -- my business possibly is a little different than most of them. I'd say 10% of my business is referrals from other people I've helped to understand. In other words they come in because John Jones up the street or the next street over got a mortgage through me, you see. So then I do have a certain amount of trust, I think.

MR. LAWRENCE: From the testimony we are getting here repeatedly day after day after day it is obvious that a certain segment of the public -- call them gullible, call them ignorant, call them stupid -- they certainly do get lured in some of these mortgage transactions.

MR. LATIMER: What's right.

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MR. LAWRENCE: By making sure that people

don't get into this thing. Those government, in your view, have no step in to assist that independent of action be given to these people, or can not the industry

(Amplified) --

MR. LATIMER: Well, I think Mr. Simon --

MR. LAWRENCE: To obtain a code of ethics

to be sure that these things are done?



1 MR. LATIMER: I think that the great step
2 forward in this business has been your Statement of
3 Mortgage and that they have to have it 24 hours before
4 they sign the mortgage. Now they have 24 hours to
5 -- sure they sign an application the same as they sign
6 an application with a trust or insurance company -- but
7 they take that Statement of Mortgage home and they have
8 24 hours to take that to their Solicitor or do anything
9 they want if they thought it had been misrepresented.

10 MR. LAWRENCE: Is that clause lived up to?

11 MR. LATIMER: Which?

12 MR. LAWRENCE: The 24 hours before they sign
13 it?

14 MR. LATIMER: Well, as far as I am concerned
15 it is. I think in -- I don't know about the other
16 fellows.

17 MR. LAWRENCE: Well, we are finding that in
18 some cases the mortgage broker insists on the deal being
19 completed, or at least in getting a pound of flesh out
20 of these people once they sign the application.

21 MR. LATIMER: How do you mean?

22 MR. LAWRENCE: Well, they sign an application
23 for a mortgage -- do you have one of your own applications
24 with you?

25 MR. LATIMER: I haven't got one with me.

26 MR. LAWRENCE: And that is looked upon, by
27 the mortgage broker, as a binding contract.

28 MR. LATIMER: Well, I would say that --

29 MR. LAWRENCE: And they do that at the time
30



MR. LAWRENCE: I think that the great step forward in this business has been your statement of Mortgage and that they have to have it 24 hours before they sign the mortgage. Now they have 24 hours to -- some they sign an application the same as they sign an application with a trust or insurance company -- but they take that Statement of Mortgage home and they have 24 hours to take that to their solicitor or do anything they want if they thought it had been misrepresented.

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MR. LATIMER: Well, I would say that --

MR. LAWRENCE: And they do that at the time



1 that they tell them to fill out the Statement of
2 Mortgage.

3 MR. LATIMER: Well, actually, I don't do it
4 that way at all. A man comes in to me, or a man
5 and wife comes in to me -- they sign the application the
6 same as they would as some life insurance company or
7 anywhere else. They sign that application. When the
8 mortgage has been arranged and approved, they come back
9 in and sign the Statement of Mortgage and if there has
10 been any change in the terms in any way from the
11 application, that is initialed as well as -- then the
12 Statement of Mortgage is made up, they get their copy
13 of that and they take it home and they have 24 hours
14 at least. You would be surprised though at the number
15 of people who want to sign their mortgage the same day.

16 MR. LAWRENCE: I wouldn't be. I've seen that
17 happen. On the other hand aren't they hooked, in effect,
18 the minute they sign the application?

19 MR. LATIMER: I'd say also they are hooked --

20 MR. LAWRENCE: They're hooked what?

21 MR. LATIMER: They are hooked in an insurance
22 company. What it that an insurance company states right
23 in their application -- you sign the application that
24 if they refuse to take up the amount of the mortgage
25 they have to pay legal costs, inspection costs, etc. etc.

26 MR. LAWRENCE: Well, this is what I am getting
27 at. In effect, is a man misunderstands what he is
28 getting into in the first place, it really doesn't matter
29 whether the Statement of Mortgage is filled out in any
30

that they tell them to fill out the Statement of

MR. LAWRENCE: Well, actually, I don't do it

that way at all. A man comes in to me, or a man

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they have to pay legal costs, inspection costs, etc., etc.

MR. LAWRENCE: Well, this is just I am getting

at. In effect, as a non-misunderstanding what he is

whether the Statement of Mortgage is filled out in any



1 event, because the time that he needs the advice is
2 before he signs the application.

3 MR. LATIMER: Well, yes.

4 MR. LAWRENCE: At least this is the testimony
5 of some of the people that we have had before us. I'm
6 not saying this is your case at all, but it is been
7 the experience --

8 MR. LATIMER: Well, yes. Of course the ideal
9 way would be -- but I don't know just how it would
10 work -- would be for them to come in to me and, I mean
11 if they want to take it to their Solicitor and they
12 bring it back. But it's adding cost to their total
13 cost of getting a mortgage, but of course it is better,
14 maybe, than paying a thousand dollar bonus.

15 MR. MACDONALD: Mr. Latimer, in view of some
16 of the difficulties that Mr. Lawrence has found out
17 about -- that he should have his advice before he makes
18 his application, -- what is your reaction to the
19 suggestion that has been made, and is even in effect
20 in some jurisdictions, that they have 24 or 48 hours
21 after they have signed it? To back out of the deal?

22 MR. LATIMER: I never heard of that.

23 MR. SEDGWICK: I don't know that it is so in
24 any jurisdiction, but I believe Mr. Simone has --

25 MR. LATIMER: Well, I will say this, Mr.
26 MacDonald, I for one would retire from business. I mean
27 it isn't fair to the honest broker. I mean you've got
28 the other --

29 MR. MACDONALD: I know, but here's your
30



event, because the time that he needs who advise is

before he signs the application.

MR. LATTIMER: Well, yes.

MR. LAWRENCE: At least this is the testimony

of some of the people that we have had before me. I'm

not saying this is your case or all, but it is been

the experience --

MR. LATTIMER: Well, yes. Of course the ideal

way would be -- but I don't know just how it would

work -- would be for them to come in to me and, I mean

if they want to take it to their solicitor and they

bring it back. But it's asking a lot of their pocket

cost of getting a mortgage, but of course it is better,

maybe, than paying a thousand dollar house.

MR. MACDONALD: Mr. Lattimer, in view of some

of the difficulties that Mr. Lawrence has found out

about -- that he would have his advice before he takes

his application, -- what is your reaction to the

suggestion that had been made, and is even in effect

in some jurisdictions, that they have 24 or 48 hours

after they have signed the mortgage to back out of the deal?

MR. LATTIMER: I never heard of that.

MR. SHOOTER: I don't know that it is so in

any jurisdiction, but I believe Mr. Stinson has --

MR. LATTIMER: Well, I will say this, Mr.

Macdonald, I for one would not like to be a borrower. I mean

it isn't fair to the honest broker. I mean you've got

the other --

MR. MACDONALD: I know, but here's your



1 problem. You see, you accept the validity of the
2 proposition that a person must have all of his
3 documents for 24 hours before he signs.

4 MR. LATIMER: All of his documents?

5 MR. MACDONALD: Yes, he must have a chance
6 to study the thing before he actually signs. Now, I'm
7 fairly convinced in my own mind from what I know and from
8 what I've heard in this Committee, that this doesn't
9 happen, in the majority of cases, and it doesn't happen
10 partly because they want to sign, they don't think they
11 need to look at anything else, partly because they are
12 already perhaps signed the application and they
13 consider they are hooked and well, they will go through
14 with it anyway. All these reasons.

15 MR. LATIMER: Well, Mr. MacDonald, just one
16 thing. That would involve all kinds of difficulties in
17 this respect too. I feel this, that it shouldn't -- the
18 time that they should seek legal advice is when they
19 come in for the application because think of it later --
20 24 hours before they sign the mortgage there's the
21 lawyer whose done all his work. He's not going to like
22 it a bit and I don't blame him if he has done his work
23 and then isn't paid. I feel that if they are going to
24 start something like that they should insist that
25 everybody take a copy of the application, or take the
26 application down to their lawyer before I start
27 proceedings. That is the ideal way. Then the lawyer
28 can contact me, he can follow right through. That's
29 the way I would say, not 48 hours--because there is
30



problem. You see, you accept the validity of the

proposition that a person must have all of his

documents for 24 hours before he signs.

MR. LATTIMER: All of his documents?

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what I've heard in this Committee, that this doesn't

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partly because they want to sign, they don't think they

need to look at anything else, mainly because they are

already perhaps signed the application and they

consider they are hooded and well, they will go through

with it anyway. All these reasons.

MR. LATTIMER: Well, Mr. Macdonald, just one

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come in for the application because that is the time --

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it a bit and I don't blame him if he has done his work

and then isn't paid. I feel that if they are going to

start a mortgage like that they should realize that

everybody take a copy of the application, or take the

application down to their lawyer before I start

proceedings. That is the ideal way. Then the lawyer

can contact me, he can follow right through. That's

the way I would say, not 24 hours--because there is



1 another lawyer involved. I mean it's fair.

2 MR. MACDONALD: Mr. Chairman, may I ask
3 another question now. I want to go back to a comment
4 of Mr. Latimer's. He said that any broker that charged
5 10% should be shot. Well I don't know if I would be
6 as harsh as that but I would be a bit curious to find
7 out if you believe this to be the case do you think it
8 is legitimate that either through the legislature or
9 through self-regulation within the trade, say through
10 the OMBA that steps be taken to reduce that figure?
11 I mean if 10% is worthy of being shot then something
12 should be done about it.

13 MR. LATIMER: That's right. There should be
14 a -- can I make a suggestion now? I feel there is -- I
15 don't know, I don't know just how, but I think the main
16 thing is here -- you see, these fellows that are still
17 in business, that are still on the shady side, there's
18 a few of them around and you people know -- I feel there
19 is one way to stop their activities right away. If
20 you put it through legislation. And that is it. I'd
21 put a ceiling of 12% on second mortgages. Now that
22 would stop all finance companies being in the mortgage
23 business.

24 MR. MACDONALD: Effective interest rate?

25 MR. LATIMER: Yes. 12%. You see, I know
26 most of the reputable brokers today will not touch
27 any of these fellows or husbands and wives that come
28 in and will grab at anything. Understand, we don't
29 touch them. We haven't touched them -- I think 12% is
30



another lawyer involved. I mean it's fair.

MR. MACDONALD: Mr. Chairman, may I say

another question now. I want to go back to a comment of Mr. Lattimer's. He said that any broker that charged 10% should be shot. Well I don't know if I would be as harsh as that but I would be a bit curious to find out if you believe this to be the case do you think it is legitimate that either through the legislature or through self-regulation within the trade, say through the CMAA that steps be taken to reduce that figure? I mean if 10% is worthy of being shot then something should be done about it.

MR. LATTIMER: That's right. There should be a -- can I make a suggestion now? I feel there is -- I don't know, I don't know just now, but I think the main thing is that -- you see, those fellows that are still in business, that are at it on one shady side, there's a few of them around and you people know -- I feel there is one way to stop their activities right away. If you put it through legislation, and that is to put a ceiling of 1% on second mortgages. Now that would stop all finance companies doing in the mortgage business.

MR. LATTIMER: Yes, I think you see, I know

most of the mortgage brokers that will not touch any of these fellows on business and what that does in and will give at anything. Understand, we don't touch them. We haven't touched them -- I think 1% is



1 plenty to pay for anything and if a man says, 'Well, I'm
2 willing to pay 13%, let him go to Coronation Investments.
3 I won't touch it. And I think there should be -- I don't
4 know whether you can do it with first mortgages or not --
5 but I think there should be a ceiling on first
6 mortgages. Then you wouldn't get any of these 9% and 10%
7 and 12% first mortgages.

8 MR. REILLY: I just want to ask him, does he
9 not think that money is worth more than 12% under some
10 peculiar circumstances?

11 MR. LATIMER: Not as far as I'm concerned. I
12 don't. I like to sleep at night.

13 MR. REILLY: Lots of people pay more than 12%
14 and have been anxious to do it and it has been a
15 legitimate deal and no reason for not doing it.

16 MR. LATIMER: All right, let them do it.
17 They won't get it from me, sir.

18 MR. REILLY: I would be one.

19 MR. MACDONALD: You see, Mr. Chairman, maybe
20 this is where we get into discussion, but you being
21 one means that you are willing to leave the door open
22 to the operators we have had to contend with in this
23 Committee already. And you got to face up to the fact
24 sometime pretty soon that if you want to leave completely
25 wide open free enterprise you will end up with the
26 Newtons and the Rosenbergs.

27 MR. REILLY: Well I suppose, as one person
28 indicated here a while ago, it is very difficult to
29 legislate morals.
30

pleasure to pay for anything and if a man says, 'Well, I'm
willing to pay 125, let him go to General Investment
I won't touch it. And I think there should be -- I don't
know whether you can do it with first mortgages or not --
but I think there should be a ceiling on first
mortgages. When you wouldn't get any of these 125 and 100
and 125 first mortgages.

MR. REED: I don't want to talk with him, does he
not think that money is worth more than 125 under some
conditions?
MR. LAMONT: Not as far as I'm concerned. I
don't. I like to sleep at night.

MR. REED: Lots of people pay more than 125
and have been anxious to do it and it has been a
legitimate deal and no reason for not doing it.
MR. LAMONT: All right, let them do it.
They won't get it from me, sir.

MR. REED: I would be glad.
MR. MACKAY: You know, Mr. Chairman, when
this is where we get into discussion, but you being
one means that you are willing to leave the door open
to the operators we have had to contend with in this
Committee already. And you got to live up to the fact
sometime pretty soon that if you want to leave completely
wide open these operators you will end up with the
Norton and the Rosenbergs.

MR. REED: Well, I suppose, as one person
indicated here a while ago, it is very difficult to
legitimate morals.



1 MR. MACDONALD: It isn't difficult to
2 legislate -- we are not talking about morals, we are
3 talking about people who are robbing the public and we
4 are sitting here doing nothing while they rob the
5 public. And you are expressing a philosophy which
6 would permit them to continue it.

7 MR. REILLY: And I think, Mr. Chairman, as
8 in many instances, they may be rendering a service
9 rather than a disservice. It might be the only time
10 that that person could actually save his home. Due
11 to the higher risk involved they naturally get a
12 higher return.

13 MR. MACDONALD: For every one that saved
14 his home the other nine are further down in the drink
15 and you are willing to tolerate it.

16 THE CHAIRMAN: Gentlemen, let's get back to
17 hearing Mr. Latimer.

18 MR. MACDONALD: I had another question I
19 wanted to ask Mr. Latimer. Let me preface the reason
20 why I am asking this question because it might seem
21 like a loaded and a nasty one. I personally have
22 said many times before this Committee that I think there
23 is two general avenues of coming to grips with this.
24 Either legislative action or regulation or regulation
25 within the trade. Now, one of the reasons why I have
26 serious misgivings about the latter is that we have been
27 told that the OMBA has only about 100 of the 600
28 mortgage brokers in the field who are members. I
29 understand that you, from a shrug of your shoulders a
30



legislative -- we are not talking about morals, we are talking about people who are robbing the public and we are sitting here doing nothing while they rob the public. And you are expressing a philosophy which would permit them to continue it.

MR. BELMONT: And I think, Mr. Chairman, as in many instances, they may be rendering a service rather than a disservice. It might be the only thing that that person could actually save his home. Due to the higher risk involved they naturally get a

MR. MACDONALD: Now every one that saves his home the other nine are further down in the drink and you are willing to tolerate it.

MR. CHAIRMAN: Gentlemen, let's get back to hearing Mr. Lawton.

MR. MACDONALD: I had another question I wanted to ask Mr. Lawton. How do you choose the reason why I am asking this question because it must seem like a loaded and a nasty one. I personally have said many times before this Committee that I think there is two general avenues of dealing to grapple with this. Either legislative action or regulation or negotiation within the trade. Now, one of the reasons why I have serious misgivings about the latter is that we have been told that the CMRA has only about 100 of the 600 mortgage brokers in the field who are members. I understand that from a group of your members



1 moment ago, don't have much confidence and faith in
2 the OMBA. Would you explain why, because quite frankly
3 as one member of this Committee I am anxious to find
4 out why people don't feel that the OMBA can do a job.

5 MR. LATIMER: Well, as I say I don't like to
6 lay myself out to a law suit, as I said before.

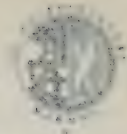
7 Anyone that has been in the mortgage business for any
8 number of years -- ten years or more -- knows who
9 belongs to the Mortgage Brokers' Association and who
10 doesn't and there must be a reason if there is only
11 one in six who belongs. And that's as far as I'll go.

12 MR. MACDONALD: What is your reason for not
13 joining?

14 MR. LATIMER: I am sorry, I won't disclose
15 it here.

16 MR. LETHERBY: Well, he did say, Mr. MacDonald,
17 maybe before you came in, that they were organized and
18 set up for their own individual protection. He felt
19 he didn't need their protection. He was operating on
20 a clean sheet.

21 MR. MACDONALD: Mr. Chairman, let me bring
22 this right out into the open. There are some people
23 in the public who believe this is the case, that the
24 OMBA is just a trade organization to protect the
25 mortgage brokers and the public be damned kind of
26 approach. Now you had it presented in perhaps the
27 most pointed fashion by one of the witnesses here
28 when he said he wasn't going to hide behind a cloak
29 of respectability. Well, I don't know what cloak he



...and raise ...

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1 could hide behind anyway but this was a rather
2 interesting description of the public image of the OMBA.
3 Now, I think, for the reasons that I have said many
4 times and repeated a moment ago, that we have to make
5 up our minds whether or not and to what extent the
6 trade organization has a function and what can or should
7 be done for it to fulfill part of that function because
8 if the trade doesn't regulate itself, government has
9 got to regulate it.

10 MR. LATIMER: Well, I would like to see the
11 government regulate it, regulate it as much as they
12 want. The more regulations the better as far as I'm
13 concerned. I told Mr. Simone that before. I feel this
14 -- if you fellows sitting here today, if you don't
15 regulate this business, it's all going to go into
16 public companies. And public companies -- there is two
17 operating today, you know who they are -- there interest
18 rate is 13%, they charge terrible legal fees. For
19 instance the other day one of these public companies,
20 a mortgage broker called and had an instance of
21 inspecting a property in Hastings, Ontario. They said
22 they want \$75.00 for inspection with no guarantee to
23 get the mortgage. The broker called Mr. Simone and
24 Mr. Simone said, "I can't do anything, they are a public
25 company", so you can legislate and all of a sudden there
26 will be nothing but public companies and if you want the
27 public to pay 13%... See, what we are trying to do --
28 I am one of the first, I am not patting myself on the
29 back, but I am one of the first who started the 9%-
30 15 year second mortgages. Now if a man comes in to me



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1 and he has equity in his property he will get a 15 year,
2 open, 9% mortgage but he goes down to one of these public
3 companies, they don't care if he has 70% equity, he will
4 still pay 13%. I think we are doing -- a few of us
5 fellows at least -- are doing a big service.

6 MR. LAWRENCE: A public company -- I don't
7 quite understand -- do you mean a federally incorporated
8 company or do you mean a provincial finance company?

9 MR. LATIMER: Oh, I am talking about a federal.

10 MR. LAWRENCE: A federal?

11 MR. LATIMER: Yes.

12 MR. REILLY: Mr. Latimer, how long since you
13 had the ten year minimum in effect?

14 MR. LATIMER: About a year now, a year and a
15 half, maybe two. I am not certain.

16 MR. REILLY: Previous to that time you had
17 short term loans?

18 MR. LATIMER: Yes, we were giving five year
19 mortgages, competition has forced it, you see. It's
20 actually as I said, competition is what is giving the
21 public today better terms, better mortgages.

22 MR. REILLY: Mr. Latimer, if a man goes out
23 to inspect a property is there some reason why he
24 shouldn't go through an appraisal price of \$75.00; is
25 there something wrong with that? He's given time and
26 thought and effort?

27 MR. LATIMER: We are not allowed to do that.
28 We are not allowed to charge 25¢. If we went out and
29 looked at a property and we take it, that's part of the
30



and he has equity in his property he will get a 15%
of the mortgage and the balance of the mortgage will
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to inspect a property is there some reason why he
shouldn't go through an appraisal price of \$75,000; is
there something wrong with that? He's given time and
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MR. LATIMER: We are not allowed to do that.
We are not allowed to charge 2%. If we went out and
looked at a pr -- and we take it, that's part of the



1 cost of the mortgage. But if we go out and look at a
2 property, maybe, say, go to Oshawa and check a property,
3 which is done very often, spend a half a day, or go up
4 to Queensville and spend a day up there, if we don't
5 -- we can't charge them anything.

6 MR. REILLY: The hazards of the game, eh?

7 MR. LATIMER: That's right.

8 MR. BELANGER: What percentage of your
9 business would you have as foreclosures?

10 MR. LATIMER: Well, again, I am in the
11 brokerage business, you see, I am not a lender, but we
12 screen it pretty well. You see, I feel that in most
13 cases the better the equity the less hazard there is.
14 You see, it's these ones that Mr. Reilly was speaking
15 about where people are willing to pay 18 or 20%. Well,
16 the lender is asking for it, he's asking for it. He's
17 expecting it -- he should be expecting foreclosure, if
18 a man is stupid enough and foolish enough and desperate
19 enough to pay the high rate of interest

20 MR. REILLY: Mr. Latimer, aren't there
21 instances where they just can't get the money at a
22 lower rate. A man goes to his bank and the bank says,
23 "No, under our regulations we can't lend you the money",
24 so he goes to you or to a finance company --

25 MR. LATIMER: Just a minute, Mr. Reilly. Now,
26 Mr. Reilly, you are getting, as you can see, 24%. Now,
27 these people -- there is the address, there is their
28 name -- you can check with them. They are getting a
29 12% second mortgage from me, after getting that -- I'm
30



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MR. REILLY: The hands of the game, oh?
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MR. REILLY: Mr. Latimer, aren't there instances where they just can't get the money at a lower rate. A man goes to his bank and the bank says, "No, under our regulations we can't lend you the money." So he goes to you or to a finance company --

MR. LATIMER: Just a minute, Mr. Reilly. Now, Mr. Reilly, you are saying, as you can see, 24%. Now, these people -- there is the address, there is their name -- you can check with them. They are getting a 12% second mortgage from me, after getting that -- I'm



1 paying it off.

2 MR. REILLY: But your 12% might be equivalent
3 to somebody else's 24%?

4 MR. LATIMER: Oh, no, it wouldn't. My 12% is
5 \$2,000, which they borrowed there at 24%, my total
6 charge \$200.00, that's it. Now I could give them a
7 15 year mortgage, but they only took ten -- they want
8 to pay it off faster, so you take \$200.00, divide it
9 by 10, that's 2% and add it on the 12% and there's the
10 total cost.

11 MR. REILLY: Mr. Latimer, if they shop around
12 why wouldn't they do business with you automatically
13 if they could do it for half the price?

14 MR. LATIMER: That's a big question, that's a
15 big question. They see my ads, they don't believe my
16 ads. That's the truth. There is a lot of people don't
17 believe my ads and I'll tell you another thing what they
18 do too. They will call up a member of the Mortgage
19 Brokers' Association and they say, "Look, how is it
20 Latimer will give a 15 year, 9% mortgage when you
21 fellows want 12%?" "Well, he's not a member of the
22 Mortgage Brokers' Association"-- that's what they tell
23 him.

24 MR. REILLY: And this is on a second mortgage
25 basis, Mr. Latimer?

26 MR. LATIMER: Which?

27 MR. REILLY: On a second mortgage at 9%?

28 MR. LATIMER: Yes.

29 MR. REILLY: Well, don't you consider there is
30



MR. REILLY: But your 12% might be equivalent

MR. LATIMER: Oh, no, it wouldn't. My 12% is

\$2,000, which they borrowed there at 2%, my total charge \$200.00, that's it. Now I could give them a 15 year mortgage, but they only took ten -- they want to pay it off faster, so you take \$200.00, divide it by 10, that's 2% and add it on the 12% and there's the total 14%.

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him.

MR. REILLY: And this is on a second mortgage

MR. LATIMER: Yes.

MR. REILLY: On a second mortgage at 9%?

MR. LATIMER: Yes.

MR. REILLY: Well, don't you consider there is



1 a greater risk on a second mortgage?

2 MR. LATIMER: Certainly there is.

3 MR. REILLY: And under the circumstances a
4 person might be entitled to a greater return for a
5 greater risk?

6 MR. LATIMER: I am working in all cases and
7 if anybody lends here I've told him right to their
8 face, "I am working for the home owner." I work for the
9 home owner. I give him the best deal I can and I bargain
10 with the lender. And if the lender doesn't give to
11 me on the terms I think he should, I go to somebody
12 else.

13 MR. REILLY: This is admirable, Mr. Latimer.
14 All I am saying is that in some instances they have to
15 pay more interest in order to get it, that's all I am
16 saying.

17 MR. LATIMER: If they borrow from me they
18 pay $7\frac{1}{2}$ tops for first mortgages -- the ones I take.
19 And they pay 12 tops on a seconds I take, no higher.
20 If I can't do it on that basis I tell them the first
21 time they come in.

22 MR. REILLY: Perhaps you only accept the
23 choicest risks?

24 MR. LATIMER: That's right. Now here's another
25 one I would like you fellows to look at.

26 MR. PRICE: Tell us about it, Mr. Latimer.

27 MR. LATIMER: Well, I'll tell you. The thing
28 that burns me up more than some of these shady mortgage
29
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MR. LATIMER: That's right. Now here's another

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MR. BRIGGS: Tell us about it, Mr. Latimer.

MR. LATIMER: Well, I'll tell you the thing

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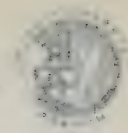
1 brokers it's finance companies. Now there is a sample
2 right there. Now if any of you men would like to
3 write this man's name and address and phone number down
4 and check to verify it, here it is. His name is
5 Charles Ogilvy, his phone number is Baldwin 1-9183. He
6 lives at 24 Abbitiby Avenue, Willowdale. He came in to
7 me in August of '62. At that time he had a first
8 mortgage balance with Victorian Gray of \$3,387.24. He
9 also had a separate mortgage with Household Finance--
10 there's the mortgage, discharged mortgage. He got that
11 in November of 1961 and as Mr. Reilly will tell you,
12 it's 18 point some percent. Now that's all he had
13 was a first mortgage when he came in to me in November
14 of '61 of 3387 -- that is, 3387 in August of '62.
15 November of '61 it must have been about 34 or 3450, at
16 the most. Now they wacked him with 18%, better than 18%.
17 Well, he came in to me and I gave him a new first
18 mortgage of \$6,000 at 7%. I put the two together.
19 Well that's what he should have got in the first place
20 instead of putting on an 18% second mortgage. He went
21 to somebody -- I don't know who -- but that's what
22 happened.

23 MR. MACDONALD: Now is this one of the public
24 companies you referred to?

25 MR. LATIMER: No, no. This -- you fellows
26 know who they are.

27 MR. WHITE: I don't know. I don't know whether
28 you want to say who they are but --

29 MR. LATIMER: Well, I'll give it to you in
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1 confidence.

2 MR. LAWRENCE: Well, why don't you give it
3 to the Chairman so we can make sure that we can get
4 some of these birds before us.

5 MR. LATIMER: Now, I also have a couple of
6 others here. These are just recent ones. On Lot 5,
7 Martin Road, Pickering, the man's name is -- he doesn't
8 live here, he built a house here. His name is James
9 Duncan, 435 Glen Park Avenue, phone number 789-4068.
10 He was building a house down there, granted this was
11 sort of a building loan, but when I arranged the
12 mortgage for him it still wasn't finished and I gave
13 it to him at 7% but he went to another finance company
14 and he paid 18%. Now he went to a broker in the first
15 place so I know the broker didn't do it for the love
16 of him -- didn't steer him to the finance company. So
17 he paid 18% plus broker's fees and I have --

18 MR. REILLY: Mr. Latimer, before you leave
19 that one, did you offer him at 7%?

20 MR. LATIMER: That's right. Offer him as much

21 MR. REILLY: Did you offer him as much
22 money, at 7%?

23 MR. LATIMER: More. \$7,000.00 -- he borrowed
24 four from the finance company.

25 MR. REILLY: Well, why would a person do
26 this?

27 MR. LATIMER: Don't ask me, sir.

28 MR. REILLY: This was a second mortgage that
29 he got from --

30



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of him -- didn't steer him to the finance company. So
he paid 18% plus broker's fees and I have --

MR. REILLY: Mr. Latimer, before you leave
that one, did you offer him at 7%?

MR. LATIMER: That's right, but he refused.

MR. REILLY: Did you offer him as much
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MR. REILLY: This was a second mortgage that



1 MR. LATIMER: No, that's a first mortgage.
2 That's a first mortgage.

3 MR. MACDONALD: Maybe you ought to charge
4 him 18%.

5 MR. REILLY: He would rather pay 18 to someone
6 else than to pay 7 to you?

7 MR. LATIMER: No, here is, I think, what
8 happened, Mr. Reilly, it was this. He came in to me
9 previously -- I had given this fellow -- he build two
10 or three houses a year, he's in another business but
11 he builds two or three houses a year -- he came in to
12 me in the summer before and he asked me what I would
13 give him and I told him \$7,000. He says, "Well, I
14 don't have the money to bring it to the roof, what
15 would you charge me?" I told him 10%. Well, that is
16 a standard, more or less, that's about minimum, 10% you
17 see, when a man's got a lot but he's got nothing there
18 so you help him from the lot up to the roof. Well,
19 that's a short term loan, usually for three or four
20 months, so I mean the lender doesn't actually get very
21 much. So he was -- the building loan was all right but
22 he wanted a bigger first mortgage, so he went to this
23 other broker -- I'm not mentioning his name -- the
24 other broker held him up from September, August or
25 September of that year until the following May, this
26 May. All he done was steer him into this finance
27 company.

28 MR. LAWRENCE: The broker did?

29 MR. LATIMER: Yes. You check all this with
30



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other broker held him up from September, August or

September of that year until the following May, this

May. All he done was steer him into this finance

company.

MR. LAWRENCE: The broker did?

MR. LAWRENCE: Yes, you know all that stuff.



1 Mr. Duncan, Mr. Chairman.

2 MR. WHITE: Mr. Chairman, a point of order.

3 Mr. Latimer has been good enough to detail some of
4 these mortgages for us including the names and
5 addresses of the mortgagors and we are indebted to him
6 for doing that but I do think the press should be asked
7 not to publish the names of these mortgagors which
8 would be unnecessarily embarrassing for them. And
9 like the Profumo case, you know, it might be promiscuous
10 to protect the innocent.

11 MR. LATIMER: I have another one, if you'd
12 like, you go ahead -- I was just giving you a few
13 instances, you know, most mortgage brokers have these
14 cases.

15 THE CHAIRMAN: I don't know that we want
16 to have any more of this information made public, but
17 you could certainly give it to, if you wanted to, give
18 it to the Secretary.

19 MR. WHITE: May I ask one question?

20 THE CHAIRMAN: Yes, sure.

21 MR. WHITE: What does the term open -- you
22 referred to 15-year open mortgages. I am not clear
23 on that terminology, would you explain what open
24 mortgage is?

25 MR. LATIMER: Well, second mortgages are open
26 mortgages means that they can be paid off on any
27 payment date. They are mostly paid monthly so that they
28 can be paid off on any payment date without notice or
29 bonus.

30

Mr. Chairman, a point of order.

MR. WHITE: Mr. Chairman, a point of order.

Mr. Latimer has been good enough to detail some of

these mortgages for us including the names and

addresses of the mortgagors and we are indebted to him

for doing that but I do think the press should be asked

not to publish the names of these mortgagors which

would be unnecessarily embarrassing for them. And

like the Profumo case, you know, it might be premature

to protect the innocent.

MR. LATIMER: I have another one, if you'd

like, you go ahead -- I was just giving you a few

instances, you know, most mortgage brokers have these

cases.

THE CHAIRMAN: I don't know that we want

to have any more of this information made public, but

we will be glad to take it up with the press.

to the Secretary.

MR. WHITE: May I ask one question?

THE CHAIRMAN: Yes, sure.

MR. WHITE: What does the term open -- you

referred to 15-year open mortgages. I am not clear

on that terminology, would you explain what open

mortgage is?

mortgages means that they can be paid off on any

payment date. They are mostly paid monthly so that they

can be paid off on any payment date without notice or

bonus.



1 MR. BUKATOR: That was the question I was
2 going to ask, but I was going to follow it a little
3 further. What is the nonnotice or bonus when he pays
4 off, or is there a bonus?

5 MR. LATIMER: No, there isn't. Without notice
6 or bonus means it can be paid off -- the only thing it
7 doesn't mean -- say the 15th of the month is your
8 payment date. Now you be obliged -- and I always stress
9 this when the people come in and sign. I say, "Now
10 make sure when you pay this mortgage off pay it off on
11 the 15th or the 14th. If you pay it off on the 16th
12 you have to pay the balance of the month."

13 MR. BUKATOR: Usually they want three months?

14 MR. LATIMER: Beg pardon?

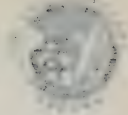
15 MR. BUKATOR: Usually most people want three
16 months' interest if they pay off, but you don't --

17 MR. LATIMER: My file is open to you fellows
18 any day you would like to come in.

19 MR. BUKATOR: I am not questioning your
20 files, I was just interested because I've never heard
21 of a case like this before. Usually they want at least
22 three months' interest if they pay off before the thing
23 matures. But you charge them absolutely nothing. They
24 can come in on the 14th and pay off and no bonus or
25 notice required?

26 MR. LATIMER: The only thing they have to pay
27 is the discharge.

28 MR. MACDONALD: Can you get money on that
29 basis?
30



MR. BURKATOR: That was the question I was going to ask, but I was going to follow it a little further. What is the necessity or bonus when he pays off, or is there a bonus?

or bonus means it can be paid off -- the only thing it doesn't mean -- say the 15th of the month is your payment date. Now you be obliged -- and I always stress this when the people come in and sign. I say, "Now make sure when you pay this mortgage off pay it off on the 15th or the 16th. If you pay it off on the 16th you have to pay the balance of the month."

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MR. BURKATOR: I am not questioning your file, I was just interested because I've never heard of a case like this before. Usually they want at least three months' interest if they pay off before the thing can come in on the 15th and pay off and no bonus or

notice required?
MR. LATIMER: The only thing they have to pay

MR. MACDONALD: Can you get money on that basis?



1 MR. LATIMER: Beg pardon?

2 MR. MACDONALD: Can you get money on that
3 basis?

4 MR. LATIMER: That is the way all my second
5 mortgages are, sir.

6 MR. WHITE: There are very few seconds today
7 aren't.

8 MR. LATIMER: There are those floating around
9 with three months' interest, yes.

10 MR. BUKATOR: Well, may I proceed on this.
11 The suggestion was made the other day that if second
12 mortgages -- and perhaps the suggestion included
13 first mortgages -- if they were amortized over the term
14 of the mortgage that many injustices would be eliminated
15 because the mortgagor would not be faced with a balloon
16 which I think very often necessitates his borrowing
17 once again at a bonus, high rate, do you follow me?
18 This idea had some appeal to me. I have seen examples
19 of constituents of mine who borrow money, perhaps to
20 buy a car, and all they are doing is paying the
21 interest. They parlay themselves into more and more
22 trouble with every car deal they make until finally
23 they are broke. Now something of this sort happens to
24 mortgagors very often and if the term of the mortgage
25 had to pay off the mortgage in full then there wouldn't
26 be any of that last minute scurrying to look after the
27 balloon. What do you think about that? Would this
28 sort of ruin the business?

29 MR. LATIMER: What, to do it on that basis,
30



MR. LATIMER: Get around?

MR. MADDEN: Can you get money on that?

Replies

MR. LATIMER: That is the way all my second

MR. WHITE: There are very few seconds today

MR. LATIMER: There are those floating around

MR. DUKAKIS: Well, may I proceed on this.

The suggestion was made the other day that if second

mortgages -- and perhaps the suggestion included

first mortgages -- if they were amortized over the term

of the mortgage that many institutions would be eliminated

because the mortgage would not be faced with a balloon

which I think very often necessitates his borrowing

once again as a house, right? So you follow me?

This idea has some appeal to me. I have seen examples

of constituents of mine who borrow money, perhaps to

buy a car, and all they are doing is paying the

interest. They pay themselves who more and more

trouble with every car that they take until finally

they are broke. Now something of this sort happens to

mortgages very often and if the term of the mortgage

is not paid off the mortgage is not paid off.

So the idea of having a mortgage which is paid off

is a very good idea. I think it is a very good idea.

sort of ruin the business?

MR. LATIMER: What, to do it on that basis.



1 you mean, to amortize it? I would say in the Toronto
2 area, with the reputable brokers, that's the way it's
3 done today. But I don't know. I can't say. I mean,
4 I do that. I don't know what the other fellows do.

5 MR. MACDONALD: But isn't it more the
6 convention to write, let's say a five year second
7 mortgage, amortized over 15 years or something like
8 that?

9 MR. LATIMER: Well, again that word amortized.
10 Unless it is a real 15-year mortgage, again the public
11 can be misled. Amortization should be drilled into
12 the public. It doesn't mean a 15-year mortgage, you
13 understand, it's --

14 MR. WHITE: I know, that's the point I'm
15 making. The life insurance companies are writing
16 20 and 25-year mortgages, so-called, they are amortized
17 over that term but in point of fact they are renewable
18 at the end of five years, aren't they?

19 MR. LATIMER: No. Most life insurance
20 company mortgages are straight 20-year mortgages or
21 15-year mortgages. Your NHA is a 25-year straight
22 mortgage.

23 MR. SEDGWICK: No balance at the end?

24 MR. LATIMER: That's right, sir, yes.

25 MR. BUKATOR: Mr. White is making reference
26 to conventional loans you find with trust companies.

27 MR. LATIMER: Trust companies, certainly, they
28 are that way. You can only get a five -- well now, I
29 wouldn't say that -- there is some trust companies that



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9 MR. LATIMER: Well, again that word amortized.
10 Unless it is a real 15-year mortgage, again the public
11 has its doubts. Amortized means it is paid off by
12 the public. It doesn't mean a 15-year mortgage, you
13 understand, it's --

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26 MR. LATIMER: Trust companies, certainly, they
27 are that way. You can only get a five -- well now, I
28 wouldn't say that -- there is some trust companies the



1 are writing ten-year straight mortgages today, as a
2 result of competition.

3 MR. WHITE: Well, the question is this: If
4 the law required the mortgage to be for sufficient term
5 to pay off the mortgage, would it interfere with
6 orderly lending in this field?

7 MR. LATIMER: Well, I would say that mortgage
8 lenders in Toronto are forced to do it because of
9 competition. I can say, certainly it's not a fact
10 anywhere but in Toronto -- maybe Hamilton -- but
11 definitely, say places like Lindsay or London, I'm
12 sure a man -- that's why they flock in to me and I
13 can't touch them because my clients won't take
14 mortgages outside of Toronto. But sure, the people
15 love to get back in their -- it's a matter of the
16 mortgage brokers in that area, the lawyers in that area
17 getting their lenders to do so.

18 MR. SEDGWICK: Getting away from residential
19 mortgages -- commercial mortgages are ordinarily
20 for a term the whole balance falls due, isn't that
21 right?

22 MR. LATIMER: I don't deal very much in
23 anything but homes.

24 MR. SEDGWICK: When you speak about an open
25 mortgage, if there is a bonus at the time that the
26 mortgage is put on, then you want to redeem it, I
27 suppose you have to redeem the whole of the bonus, is
28 that right?

29 MR. LATIMER: I don't deal with them, sir.
30



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MR. LATHAM: I don't feel very much in
anything but houses.

MR. SHEPHERD: When you speak about an open
mortgage, if there is a house at the time that the
mortgage is put on, then you want to redeem it, I
suppose you have to redeem the whole of the house, is
that right?

MR. LATHAM: I don't know what you mean.



1 MR. SEDGWICK: You don't deal with bonus
2 mortgages.

3 MR. WHITE: I've just got one more question.
4 You conceded Mr. Reilly that you were accepting, price
5 risks was the term used, at that 12%.

6 MR. LATIMER: No, not, no, I don't consider
7 12% -- I consider they are very risky. My second
8 mortgages are 9%. They are the prime second mortgages.
9 Now, I will qualify that and show you exactly what a
10 prime second mortgage is. A prime second mortgage
11 means that they have to have 30% or more equity in the
12 property after the mortgage is put on. That's a prime
13 second mortgage.

14 MR. REILLY: Well, that's almost tantamount
15 to somebody else's first, isn't it?

16 MR. LATIMER: Yes, but, Mr. Reilly, let me
17 see if I can point out the reason why. A man will come
18 in to me and he's got a, say a, one of these like $4\frac{1}{2}\%$
19 mortgages. He's got about 10 years to run. He's got
20 a first mortgage of about maybe five or fifty-five
21 hundred dollars. Now, he wants another \$5,000.00. I'll
22 say, "Now look, what you should do is put these two
23 mortgages together into a new first. You might need
24 a small second, but most of it will be in a first."
25 You can't even talk to those people -- they are only
26 paying $4\frac{1}{2}\%$. That's why you can't do it. I mean, I
27 advise it, but they will take a second mortgage of
28 \$5,000 at 9% for the simple reason that they are ahead
29 of the game -- see what I mean?
30



of the game -- see what I mean?

\$5,000 at 9% for the simple reason that they are ahead

against it, but they will take a second mortgage of

paying 4 1/2%. That's why you can't do it. I mean, I

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MR. LAWYER: No, not, no, I don't consider

risky was the term used, at that 19%.

You conceded Mr. Reilly that you were accepting, price

MR. WHITE: I've just got one more question.



1 MR. REILLY: Leaving the existing mortgage
2 at $4\frac{1}{2}$?

3 MR. LATIMER: Yes.

4 MR. IRWIN: I would like to get back to a
5 line of questioning I was pursuing at the beginning.
6 Just to make this quite clear, at the beginning you
7 quoted a \$6,000 first mortgage, \$250.00 charges,
8 and that implies \$5750.00 to the borrower and --

9 MR. MACDONALD: Do you mind repeating those,
10 Mr. Irwin?

11 MR. IRWIN: \$6,000 face value of the mortgage,
12 less \$250.00 in charges with a net to the borrower
13 of \$5,750. Is the \$6,000 at the rate of 7%, Mr.
14 Latimer?

15 MR. LATIMER: Yes. In most cases. I
16 advertise seven but there is the odd case where I
17 take $6\frac{1}{2}$ or $6\frac{3}{4}$ -- it all depends on the property
18 and the amount he asks for.

19 MR. IRWIN: Fine. Just for example, it's
20 7%. Now that might be for what? 20-year term?

21 MR. LATIMER: Again, it all depends on the
22 property as to what the value of the property is. I
23 wouldn't give \$6,000 for 20-years on a \$10,000
24 property, you understand.

25 MR. IRWIN: No, I understand. Just for
26 purposes of illustration let's say this one is for a
27 15-year term, for example. That would be a mortgage
28 that would not actually mature for 15 years?

29 MR. LATIMER: Yes.
30



MR. LARWIN: I would like to get back to a
line of questioning I was pursuing at the beginning.
Just to make this quite clear, at the beginning you
stated a \$6,000 first mortgage, \$70.00 charges,
and that implied \$750.00 to the borrower and --

MR. MACDONALD: Do you mind repeating those,

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purpose of illustration let's say this one is for a
15-year term, for example. That would be a mortgage
that would not actually mature for 15 years?

MR. LATIMER: Yes.



1 MR. IRWIN: And the rate of amortization,
2 the rate of pay-out would be on a 15-year basis?

3 MR. LATIMER: Yes, that's right.

4 MR. IRWIN: So there would be no balance, in
5 that case, left at the end of the term? Now, what
6 would be the monthly payments on that?

7 MR. LATIMER: I haven't got my book here, my
8 amortizing book, but I think \$6,000 would run about
9 50-53 dollars a month, something like that. On a
10 20-year basis. On a 15-year basis it would run about
11 58 maybe. Now I stand to be corrected on that. I
12 haven't got my book.

13 MR. IRWIN: What would be the effective rate
14 of interest including the charges?

15 MR. LATIMER: Well, all you have to do is
16 take -- it's a 15-year mortgage, divide the 15 into
17 the 250. But actually I don't think that's a fair
18 rate because, say, the National Trust Company, for
19 instance, you go down there and get a \$6,000 mortgage
20 you might pay \$75.00 for legal fees, you might pay --
21 remember my charges include legal disbursements -- you
22 might pay \$15.00 for legal disbursements, you might
23 pay \$20 or \$25.00 for an inspection. So you can't say
24 that the \$250.00 is all-inclusive.

25 MR. IRWIN: No, all I'm trying to arrive at
26 is -- you see we have, in other testimony given, in
27 order to make comparisons one way or another, we
28 consider that the charge, whatever it may be, is to
29 be spread out over the term and should, for comparative
30



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20-year basis. On a 15-year basis it would run about

\$8 maybe. Now I stand to be corrected on that. I

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MR. IRWIN: What would be the effective rate

of interest including the charges?

MR. LATIMER: Well, all you have to do is

take -- it's a 15-year mortgage, divide the 15 into

the \$100. But actually I don't think that's a fair

rate because, say, the National Trust Company, for

insurance, you go down there and get a \$6,000 mortgage

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pay \$20 or \$25.00 for an inspection. So you can't say

that the \$250.00 is all-inclusive.

MR. IRWIN: No, all I am trying to arrive at

is -- you see we have, in other testimony given, in

order to make comparisons one way or another, we

should have some common basis for comparison.

So you would say that the \$250.00 is all-inclusive?

MR. LATIMER: No, I don't think so.



1 purposes, result in a calculation which is 10% or 12%
2 or what have you.

3 MR. LATIMER: I don't think so, sir. I mean
4 I don't think National Trust -- now I'm just taking
5 a trust company at random -- would like that attitude
6 at all. In other words, if National Trust is lending
7 their money -- I understand at about 6 3/4% -- and
8 their total charges on their mortgages is maybe another
9 \$100.00 and they get a five year mortgage and you
10 divide that by 5, \$100.00, and add that on to 6 3/4%,
11 I don't think they would like it a bit.

12 MR. IRWIN: Well, I am not suggesting whether
13 they would like it or not. It is merely an arithmetical
14 comparison. For instance we had a man yesterday and
15 it developed that there was something over \$400.00 in
16 bonuses and charges on an \$875.00 mortgage. Now,
17 someone here has worked out an effective rate of
18 interest including that charge and that resulted in
19 some astronomical percentage. So if we are applying
20 that line of reasoning, rightly or wrongly, to that
21 man, we have to apply it to the trust company's charge
22 and your charge also. Whether it is right or wrong
23 is neither here nor there. Do you have any idea, if
24 you think in those terms, the 7% stated rate is, in
25 effect $7\frac{1}{4}$, $7\frac{1}{2}$ or what have you, so that we can compare
26 that rate with the trust company rate calculated on
27 the same basis or with the testimony of the man
28 yesterday so that we can compare like with like, that's
29 all?
30



purposes, result in a calculation which is 10% or 12% or what have you.

MR. TATUM: I don't think so, sir. I mean

I don't think National Trust -- now I'm just taking a trust company at random -- would like that attitude at all. In other words, if National Trust is lending their money -- I understand at about 6 3/4% -- and their total charges on their mortgage is maybe another \$100.00 and they get a five year mortgage and you divide that by 5, \$100.00, and add that on to 6 3/4%. I don't think they would like it a bit.

MR. TATUM: Well, I am not suggesting whether

they would like it or not. It is merely an administrative commission. For instance we had a man yesterday and it developed that there was something over \$100.00 in bonuses and charges on an \$100.00 mortgage. Now, someone here has got an effective rate of interest including these charges and that resulted in some astronomical percentage. But we are applying that line of reasoning, rightly or wrongly, so that men, we have to apply it to the trust company's charge and your charge also. Whether it is right or wrong is neither here nor there. Do you have any idea, if you think in those terms, the 10% stated rate is, in effect 7 1/2% or what have you, so that we can compare that rate with the trust company rate calculated on

the same basis or with the testimony of the man yesterday so that we can compare like with like, that's



1 MR. LATIMER: Well, I feel it's -- you see
2 the trouble here is your press here, they take one
3 side of the picture. Your finance companies can't do
4 wrong. Nobody can do wrong but the mortgage broker.
5 I want to let you fellows know that there are a few
6 honest mortgage brokers in this business. These
7 fellows over here -- you never know them to read the
8 newspapers.

9 MR. IRWIN: Well, the charges that you have
10 been discussing with us here this morning are
11 certainly modest.

12 MR. LATIMER: I'm just trying to get a fair
13 rate, that's all.

14 MR. IRWIN: You don't think in those terms?

15 MR. LATIMER: You mean more Pierre Burtons?

16 MR. IRWIN: Anyway, what I am leading up
17 to is -- and don't think I am being in any way critical
18 -- it's very refreshing to hear your commentary in
19 comparison to some that we have heard. But being a
20 public accountant and seeing a lot of operations, I
21 am -- my curiosity is aroused as to what particular
22 secret have you developed in being able to operate at
23 this level when others -- I'm not speaking about the
24 fanatic fringe of the business, but apparently the
25 general area of what appears to be something like
26 reason -- they seem to feel that they have to operate
27 at a higher level of mortgage charges and interest
28 rates as well. What peculiar secret have you developed?

29 MR. LATIMER: Well, I think it is this, sir.
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general area of what appears to be something like

reason -- they seem to feel that they have to operate

at a higher level of mortgage charges and interest

rates as well. What particular secret have you developed?

MR. LATIMER: Well, I think it is this, sir,



1 I actually believe -- you see the mortgage business
2 was just a business where anybody -- one day he's a
3 milkman and the next day he's a mortgage broker. I
4 feel that -- you see the Department of Insurance has
5 my record right back to the time I came to Toronto.
6 I feel that this licensing of mortgage brokers is
7 long overdue and I think that Mr. Simone's department
8 is doing a good job. Maybe he doesn't have the powers
9 he should have. I think they should be possibly
10 strengthened a little bit, but he's going in the right
11 direction and these fellows will be weeded out. This
12 is long overdue and you don't have to charge those
13 rates that these fellows are charging. I mean it's --
14 if you have a good reputation you know. Most people
15 come in to me, they investigate me before they see
16 me. They tell me, "I phoned the Better Business
17 Bureau, I phoned here, I phoned there". They check.
18 I think the only ones that are being milked today
19 or bilked today is these desperate people and these
20 people are borrowing for one reason. They are
21 borrowing themselves into foreclosures, they are
22 borrowing themselves out of their homes. The reputable
23 broker won't have anything to do with them. I, myself,
24 when they come to see me, these husbands and wives,
25 "Your only hope is a finance company".

26 MR. IRWIN: Do you have any staff?

27 MR. LATIMER: Beg pardon?

28 MR. IRWIN: Do you have any staff like --

29 MR. LATIMER: No, there's three officers of
30



I actually believe -- you see the mortgage business was just a business where anybody -- one day he's a milkman and the next day he's a mortgage broker. I feel that -- you see the Department of Insurance has my record right back to the time I came to Toronto. I feel that this licensing of mortgage brokers is long overdue and I think that Mr. Stinson's department is doing a good job. Maybe he doesn't have the powers he should have. I think they should be possibly strengthened a little bit, but he's going in the right direction and these fellows will be weeded out. This is long overdue and you don't have to change those rates that these fellows are charging. I mean it's -- if you have a good reputation you know. Most people come in to me, they investigate me before they see me. They tell me, "I knowed the Better Business Bureau, I phoned here, I phoned there." They check. I think the only ones that are being misled today or misled today is these desperate people and these people are borrowing for one reason. They are borrowing themselves into foreclosure, they are borrowing themselves out of their homes. The reputable broker won't have anything to do with them. I, myself, when they come to see me, these husbands and wives, "Your only hope is a finance company."

MR. LAMMIE: Do you have any staff?

MR. LAMMIE: Yes, personally.

MR. LAMMIE: Do you have any staff like --

MR. LAMMIE: No, there's three officers of



1 the company and that's all the staff I have.

2 MR. IRWING: And you have a rented premise
3 somewhere?

4 MR. LATIMER: 330 Bay Street.

5 MR. IRWING: Your income is confined, in
6 this case, of the \$250.00 charge, to roughly \$125.00?

7 MR. LATIMER: And I pay a heavy rent. But
8 I'm not greedy.

9 MR. BELANGER: Have you any advice for
10 this Committee?

11 MR. LATIMER: I beg your pardon, sir?

12 MR. BELANGER: Have you any advice for
13 this Committee as to what we could do to protect
14 the public better?

15 MR. LATIMER: Well, there's only two things
16 actually. I think your Statement of Mortgage is a
17 great help. It's been a great -- as I said before it's
18 a great help. I think that the interest rates on first
19 and second mortgages, as much as possible, there should
20 be a ceiling on them. I still say a second mortgage
21 should have a ceiling of 12%. Then you wouldn't see
22 these people with a little first mortgage running into
23 a finance company and paying 18%. In other words the
24 finance companies couldn't enter in the field. And
25 if you look at this one here, as I showed Mr. Reilly
26 before, this is what burns me up. Now, I am not
27 patting myself on the back. I see this every day.
28 You will notice on here -- this is a regular or
29 collateral mortgage, this is a collateral mortgage.
30



the company and that's all the staff I have.

MR. IRWIN : And you have a rental promise

MR. IRWIN : Yes, I have.

MR. IRWIN : Your income is confined, in

this case, of the \$250.00 charge, to roughly \$125.00?

MR. IRWIN : And I pay a heavy price. But

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and second mortgages, as much as possible, there should

be a ceiling on them. I still say a second mortgage

should have a ceiling of 10%. When you wouldn't see

these people with a little that mortgage running over

a finance company and being 10%, in other words the

finance companies could be in the field, and

if you look at them one here, and I showed Mr. Kelly

before, this is what I mean to say. Now, I am not

calling myself on the back, I am that every day.

You will notice on page -- that is a typical of

collateral mortgage, there is a collateral mortgage.



1 Now these people pay 24% and not just for a second
2 mortgage, but the finance company took the furniture
3 in as well. I put the \$2,000 on the house. They
4 had that man tied right up to here.

5 MR. IRWIN: Mr. Chairman, may I pursue this
6 a little further. I don't know whether I am getting
7 anywhere but -- the terms that you are operating on
8 this \$6,000 deal, from my own experience, are roughly
9 about the deal that they might get from an insurance
10 company or a trust company or a mortgage company or
11 a conventional institution.

12 MR. LATIMER: Well, yes, that's why I patted
13 myself on the basis of the insurance and trust
14 companies as much as possible. I mean in regards to
15 fees and disbursements and so on.

16 MR. IRWIN: Now considering that these are
17 roughly the terms that a conventional institution
18 might be offering, I do know that they would also
19 only be offering these terms to very first class
20 situations -- just pursuing Mr. Reilly's line of
21 thought. I assume then that you also are dealing
22 only with very first class situations?

23 MR. LATIMER: Well, there is a thing where
24 I can beat the trust company. I have to. That's my
25 business. I try to. You go down to a trust company
26 today and get a mortgage, \$6,000. It's a five year
27 deal, number one. Number two, it's closed. You can't
28 pay it off in less than five years.

29 MR. IRWIN: Can it be renewed at the end of
30



Now these people pay 2 1/2% and not just for a second mortgage, but the finance company took the furniture in as well. I put the \$5,000 on the house. They had that man tied right up to here.

MR. TWIN: Mr. Chairman, may I phrase this a little further. I don't know whether I am getting anywhere but -- the terms that you are operating on this \$6,000 deal, from my own experience, are roughly about the deal that they might get from an insurance company or a trust company or a mortgage company or a conventional institution.

MR. BATTIN: Well, yes, that's way I putted myself on the basis of the insurance and trust companies as much as possible. I mean in regard to fees and disbursements and so on.

MR. TWIN: Now considering that these are roughly the terms that a conventional institution might be offering, I do know that they would also only be offering these terms to very first class situations -- just pursuing Mr. Kelly's line of thought. I assume that you also are dealing only with first class situations.

MR. BATTIN: Well, there is a thing where I can beat the trust company. I have got that's my business. I say so. You go down to a trust company today and get a mortgage, \$5,000. It's a five year deal, number one. Number two, it's closed. You can't pay it off in less than five years.

Can it be renewed at the end of



1 five years?

2 MR. LATIMER: There is no clause in the
3 trust company mortgage that is renewable either. That's
4 number three. But with me I charge a little more but
5 the man can pay his mortgage off after two years. He
6 doesn't want to be tied up for five years so he would
7 rather pay me another \$50.00 or so because he's got
8 a longer term mortgage and he can pay it off when he
9 wants to.

10 MR. IRWIN: So that you feel if you are
11 dealing with first class risks that you are offering
12 a slightly better service than conventional insti-
13 tutions because of the --

14 MR. LATIMER: Open clause and renewable.

15 MR. IRWIN: The open clause and the longer
16 term. Well, all I am really trying to establish is
17 that while your business is very commendable and I'm
18 all in favour of the lowest possible interest rate,
19 obviously, would it not be fair to suggest that there
20 might be slightly less than first class risks which --
21 in which a little higher brokerage fee and a little
22 higher interest rate would be justified?

23 MR. LATIMER: No. What I do is this. I
24 try to treat everybody alike. The only stipulation
25 that I make is this. I won't give a man with a poor
26 house a 20-year mortgage or a 15-year mortgage. I'll
27 cut him down to ten. My charges remain the same.
28 There is the odd case -- I think since this year
29 started that I charged one person, and that was the
30



Five years

MR. LATIMER: There is no clause in the

trust company mortgage that is renewable either. That's number three. But with me I charge a little more but the man can pay his mortgage off after two years. He doesn't want to be tied up for five years so he would rather pay me another \$20.00 or so because he's got a longer term mortgage and he can pay it off when he wants to.

MR. ERWIN: So that you feel if you are

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term. Well, all I am really trying to establish is that while your business is very commendable and I'm all in favour of the lowest possible interest rate, obviously, would it not be fair to suggest that there might be slightly less than first class risks which -- in which a little higher mortgage fee and a little higher interest rate would be justified?

MR. LATIMER: No. What I do in this I

try to treat everybody alike. The only stipulation that I make is this. I won't give a man with a poor house a 20-year mortgage or a 15-year mortgage. I'll cut him down to ten. My charges remain the same.

There is no clause in the mortgage that is renewable either.

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1 other day, $7\frac{1}{2}\%$. My people are like this. First
2 mortgages are mostly estates and executors of estates
3 take a dim view about asking for any more than the
4 current rate of interest. Their stock answer is, if
5 I was to offer them something at $7\frac{1}{2}$, they say, "What's
6 the matter with it?"

7 MR. WHITE: I think it is very desirable that
8 a person like yourself is offering their services to
9 the public and certainly it must be a very significant --
10 have a significant effect on the rates and terms that
11 other mortgage brokers are -- that other people may
12 charge, but to service those classes of borrowers whom
13 you would not consider a good risk, there possibly
14 should be a market for these people.

15 MR. LATIMER: Well, I try to help everybody
16 I can, but I don't want to go above my limits. I have
17 set certain standards and if I can't help them I will
18 let some of these other fellows take it and charge them
19 the other interest. I don't want them. My business is
20 volume. I have a good volume business. I don't get five
21 a month like some of these fellows -- I think that is
22 the reason they charge their four or five hundred dollars.
23 I have a much greater volume. I'm not disclosing it
24 here.

25 MR. WHITE: You don't care to disclose it?

26 MR. LATIMER: No. If you want my volume you
27 can get that from Mr. Simone. It's on the records.

28 MR. MACDONALD: Mr. Latimer, you are a forth-
29 right and refreshing critic of some of the practices in
30



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1 the trade. What justification is there for the general
2 practice in the trade of charging interest on the
3 charges?

4 MR. LATIMER: What --

5 MR. MACDONALD: I go to you for a \$6,000 loan
6 and your charges are, for example, \$250.00. Why
7 should I have to pay interest for 10 years on the \$250.00?

8 MR. LATIMER: Well, we do the same thing -- if
9 you went to National Trust Company --

10 MR. MACDONALD: No, no. You missed my question.
11 I say what justification is there for this procedure?

12 MR. LATIMER: You don't have to. If you want
13 to come in to me now and say, "Look, now, I'm not going
14 to pay the \$250. I'll pay you that myself." I'll give
15 you \$5750.00 straight. You pay me the \$250 then you
16 don't have to pay the interest. All I want to do is
17 be paid. But you don't have to pay interest --

18 MR. MACDONALD: But generally speaking,
19 mortgage brokers don't grant this privilege of yours.

20 MR. LATIMER: Well, I don't know. Once again
21 I'm not speaking for the other fellows, but I would
22 think anyone would accept their charges cash.

23 MR. MACDONALD: You see, actually what this
24 adds up to is another hidden cost. Because if I go in
25 to get a mortgage for \$6,000, for the life of me I can't
26 see why, for the ten years of that I should be paying
27 interest on what I pay you to get that money for me.

28 MR. LATIMER: Well take your NHA mortgage --
29 it's the same way. You not only pay legal costs,
30



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13 to come in to me now and say, "Look, now, I'm not going
14 to pay the \$250. I'll pay you that myself." I'll give
15 you \$250.00 straight. You pay me the \$250 then you
16 don't have to pay the interest. All I want to do is
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23 MR. MACDONALD: You say, actually what this
24 adds up to is another hidden cost. Because if I go in
25 to get a mortgage for \$6,000, for the life of me I can't
26 see why, for the ten years of that I should be paying
27 interest on what I pay you to get that money for me.
28 MR. LATIMER: Well take your MHA mortgage --
29 it's the same way. You not only pay legal costs,



1 inspection costs, insurance costs, you pay on -- well,
2 I don't know the list because I don't handle any
3 NHA mortgages, but there is a long list of costs you
4 pay and that's your 25-year government mortgage. And
5 you pay on that for 25 years.

6 MR. WHITE: Mr. MacDonald, I -- it isn't often
7 I have to clarify what Mr. MacDonald says, but he is
8 really referring to a case where a chap signs on for
9 \$4500.00 and only gets \$3,000. It's written at 7% but
10 actually he is paying $10\frac{1}{2}\%$ on the money he got. You
11 see what I mean?

12 MR. LATIMER: I see what you mean. I don't
13 handle those.

14 MR. MACDONALD: With respect, this is another
15 question. I was asking why do you pay interest on the
16 charges. You are asking why do you pay interest on the
17 bonus.

18 MR. REILLY: Mr. Chairman, I was interested
19 in Mr. Latimer's charges of $4\frac{1}{4}\%$ for \$6,000.00.
20 Approximately $4\frac{1}{4}\%$?

21 MR. LATIMER: Yes, I hadn't figured it out,
22 I was --

23 MR. REILLY: Supposing you borrowed \$3,000.00
24 Would you still charge the same amount?

25 MR. LATIMER: No. Maybe you weren't here, Mr.
26 Reilly. I explained, for instance, for \$10,000.00 the
27 charge is \$300.00. For -- I charge the minimum. See,
28 I never get a second or a first mortgage under -- well,
29 I don't think I've ever gotten one under \$3,000.00.



I don't know the list because I don't handle any

and mortgages, but there is a long list of costs you

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I have to clarify what Mr. MacDonald says, but he is

really referring to a case where a chap signs on for

\$4500.00 and only gets \$2,000. It's written at 7% but

actually he is paying 10% on the money he got. You

see what I mean?

MR. LATTIMER: I see what you mean. I don't

handle those.

MR. MACDONALD: With respect, this is another

question. I was asking why do you pay interest on the

charges. You are asking why do you pay interest on the

down.

MR. LATTIMER: Mr. MacDonald, I was interested

in Mr. Lattimer's charges of \$2,000.00

MR. LATTIMER: Yes, I don't figure it out.

I was --

Would you still charge the same amount?

MR. LATTIMER: No, because you wouldn't have, Mr.

Reilly. I explained for the first, for \$10,000.00 the

charge is \$300.00. For -- I charge the minimum. So,

I never get a second or a third mortgage or anything -- well,

I don't think I've ever gotten one under \$1,000.00.



1 MR. REILLY: And what would be the rate on
2 \$3,000.00?

3 MR. LATIMER: \$150.00 minimum.

4 MR. REILLY: Well then, would this cover your
5 commission, \$150.00? Would this cover inspection?

6 MR. LATIMER: That's right.

7 MR. REILLY: Would this cover legal?

8 MR. LATIMER: That's right.

9 MR. REILLY: Do you do your own legal work?

10 MR. LATIMER: No, I do not. I'm just a broker.

11 MR. REILLY: Do you have someone in your own
12 office who does the legal work?

13 MR. LATIMER: No. All my legal work is done
14 on all my mortgages by the mortgagee's Solicitor.

15 MR. REILLY: Well then, when you say you give
16 a 15-year open mortgage, Mr. Latimer, what about the
17 record of payment. Would this have not something to do
18 with it?

19 MR. LATIMER: You mean how?

20 MR. REILLY: How he pays back the mortgage,
21 and he's reliable and he's punctual and there is no
22 problem whatsoever. But on the contrary somebody else
23 pays back the mortgage and he's unreliable and he doesn't
24 pay it on time. Does he still continue on a 15-year
25 basis or is actually your mortgage a mortgage for five
26 years with renewals if everything is well paid?

27 MR. LATIMER: Yes. Here's the way my side --
28 I didn't have a chance to tell you. Here's how my
29 second mortgages are worked. It's a 15-year mortgage,
30



MR. REILLY: And what would be the rate on

MR. LATIMER: \$150.00 minimum.

commission, \$150.00? Would this cover inspection?

MR. LATIMER: That's right.

MR. REILLY: Would this cover legal?

MR. REILLY: Do you do your own legal work?

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and he's reliable and he's honest and there is no

problem whatsoever. But on the contrary somebody else

pay it on time. Does he still continue on a 15-year

basis or is actually your mortgage a mortgage for five

years with renewals if everything is well paid?

MR. LATIMER: Yes. Here's the way my side -

I didn't have a chance to tell you. Here's how

second mortgages are worked. It's a 15-year mortgage.



1 15-year amortization. It's for five years, renewable for
2 ten if he is not in default.

3 MR. REILLY: So you've got an excellent an
4 excellent risk and he's paid one-third of it back.

5 MR. LATIMER: Yes, if he's not in default. We
6 don't want the defaulters, we want the mortgages.

7 MR. REILLY: Well, you would recommend to
8 someone that you couldn't lend the money at a maximum
9 of 12% that he go to a finance company. I suppose the
10 only reason you would recommend a finance company is
11 that you would rather recommend a finance company than
12 a competitor in the brokerage field; is that right?

13 MR. LATIMER: No. That isn't the point. If
14 it is a mortgage that is -- if I can't help him at 12%,
15 as I showed you this one here, that's 24 remember that
16 he signed for.

17 MR. REILLY: Do you think that you are doing
18 a service, Mr. Latimer, under the circumstances? Do
19 you think the finance company is doing a service for
20 the borrower here at 24%? You wouldn't give him that
21 service. Do you think they are doing a service for him?

22 MR. LATIMER: There is a thing here too that
23 I didn't show you. This is another thing that this same
24 outfit is trying to force down this man's throat. He
25 will tell you about it when you check with him. Not
26 only do they charge him 24%, they wanted to stick on
27 a life insurance policy to protect them at a premium
28 of \$50.00. Well, he was smart enough. He said, "No,
29 I'll get my life insurance from my agent. Now, that's
30

15-year amortization. It's for five years, renewable for
and if he is not in default.
MR. LATTIMER: So you've got an excellent an
excellent risk and he's paid one-third of it back.
MR. LATTIMER: Yes, it he's not in default. We
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MR. LATTIMER: No. That isn't the point. If
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MR. RAILLY: No you think that you are doing
a service, Mr. Lattimer, under the circumstances? Do
you think the finance company is doing a service for
the borrower here at 24%? You wouldn't give him that
service. Do you think they are doing a service for him?
MR. LATTIMER: There is a thing here too that
I didn't show you. This is another thing that this same
outlet is trying to force down this man's throat. He
will tell you about it when you check with him. Not
only do they charge him 24%, they wanted to attack on
a 10% interest rate -- that's what he was told.
Well, what was he told? He was told that
the 10% was the rate from my agent. Now, that



1 another thing. I don't ask them for life insurance.

2 MR. REILLY: The point is that they are
3 rendering a service for this man that you are not
4 proposed -- you won't render for him because you don't
5 want to take the risk and I am just wondering --

6 MR. LATIMER: I do take the risk.

7 MR. REILLY: But in this particular case you
8 turned him down, you said, "Go to a finance company."

9 MR. LATIMER: Not this one.

10 MR. REILLY: No, in this particular case, of
11 course, he came back to you.

12 MR. LATIMER: No, he never came back to me.
13 He came in to me a year after he got it from the finance
14 company.

15 MR. REILLY: I see. Yes, I recall this one
16 now. But under general circumstances, Mr. Latimer, the
17 point I am trying to establish is this: That there are
18 some people who want to borrow money. They go to the
19 bank and the bank says, "You don't have adequate security
20 so you will have to borrow your money somewhere else".
21 This is common procedure. It happens every day.

22 MR. LATIMER: Sure. And the bank that has
23 refused him would charge him $11\frac{1}{2}\%$.

24 MR. REILLY: Yes. The bank has refused him --

25 MR. LATIMER: And they don't tell the owner,
26 Mr. Reilly, that they are charging $11\frac{1}{2}\%$. They say,
27 "Oh, ours is a 6% loan". Very few people know --

28 MR. REILLY: If the bank doesn't lend him
29 money, where is he going to go?
30



another thing. I don't ask them for life insurance.

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rendering a service for this man that you are not

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MR. LAWRENCE: I do take the risk.

MR. RILEY: But in this particular case you

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MR. LAWRENCE: No, he never came back to me.

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some people who want to borrow money. They go to the

bank and the bank says, "You don't have adequate security

so you will have to borrow your money somewhere else."

This is common procedure. It happens every day.

MR. LAWRENCE: Some, and the fact that has

refused him would cause him risk

MR. RILEY: Yes, the bank has refused him --

MR. LAWRENCE: And then don't tell the owner,

Mr. RILEY: That they are charging 15%. They say,

"Oh, come in a few days. Very few people know --"

MR. RILEY: If the bank doesn't lend him

money, where is he going to get



1 MR. LATIMER: I would say this. Why should
2 a man go to the bank, for instance, and pay $11\frac{1}{2}\%$ and
3 get it at 9% from me, if it was a second mortgage.

4 MR. REILLY: But then you say, "I must insist
5 upon you having 30% equity in your home before I will
6 lend you money on that basis".

7 MR. LATIMER: Right.

8 MR. REILLY: Well, a conventional mortgage
9 company or insurance company will do it on the same
10 basis of $60 - 65$ or 70% equity in a home. So you get
11 a $60 - 65$ or 70% loan with a 30% equity.

12 MR. LATIMER: The bank would also give a loan
13 on that basis, with that equity.

14 MR. REILLY: I was talking with one lady
15 yesterday who had borrowed money from a finance company
16 and the only reason why she borrowed the money was
17 because she didn't have enough collateral to borrow
18 from someone else, that's all. So she had to pay a
19 higher rate of interest.

20 MR. LATIMER: That is again -- I am not
21 referring, I am not saying anything about the finance
22 company. If people want to do it, all right, but I
23 think that the people should be told what they are
24 being charged.

25 MR. REILLY: I agree.

26 MR. LATIMER: And the trouble is, I find from
27 people I see here, that they trust -- the man in the
28 street today -- they trust finance companies. I don't
29 know whether it is propaganda or what it is. They take
30



MR. LATIMER: I would say this. Why should
a man go to the bank, for instance, and pay 11% and
get it at 9% from me. If it was a second mortgage.
MR. KELLY: But then you say, "I must insist
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MR. LATIMER: Right.
MR. KELLY: Well, a conventional mortgage
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a 60 - 65 or 70% loan with a 30% equity.
MR. LATIMER: The bank would also give a loan
on that basis, with that equity.
MR. KELLY: I was talking with one lady
yesterday who had borrowed money from a finance company
and the only reason why she borrowed the money was
because she didn't have enough collateral to borrow
from someone else, that's all. So she had to pay a
higher rate of interest.
MR. LATIMER: That is again -- I am not
referring, I am not saying anything about the finance
company. It people want to do it, all right, but I
think that the people should be told what they are
being charged.
MR. LATIMER: And one possible is, I find from
people I see here, that they trust -- the man in the
street today -- they trust finance companies. I don't
know whether it is because of what it is, but I



1 the same view of a finance company, the majority of
2 them, as they do a trust company.

3 MR. REILLY: In the long range view you might
4 be doing them a service, Mr. Latimer, but on the short
5 range view a person may say, "I want to save my home
6 and you won't lend me the money, somebody else is going
7 to lend me the money." And they will go to somebody
8 else who will lend them the money and pay more money
9 for it.

10 MR. LATIMER: Let them do it. I don't do it.
11 How is that going to save their home?

12 MR. REILLY: Well it may, in many instances
13 it has done. In some instances it has run him closer
14 to foreclosure. He hasn't done him a service, he's
15 done him a disservice.

16 THE CHAIRMAN: Any other questions? Mr. Reilly?

17 MR. REILLY: No, I'm happy.

18 THE CHAIRMAN: Mr. Letherby?

19 MR. LETHERBY: I was just interested, Mr.
20 Chairman, in what Mr. Latimer suggested that a tariff
21 be set by regulation of 12% on second mortgages, which
22 I think is sound, but going back to Mr. Reilly's
23 questions and the questions of the other members of
24 the Committee, how are these people, who have already
25 borrowed themselves into bankruptcy and are desperate,
26 going to get money if there is a ceiling of 12%, because
27 if there is a tariff they can't go anyplace else.

28 MR. LATIMER: No, sir. I feel it's this way.
29 It would avoid people paying 18% or 26% or 24% on good
30



MR. REILLY: In the long range view you might be doing them a service, Mr. Lattimer, but on the short range view a person may say, "I want to save my home and you won't lend me the money, somebody else is going to lend me the money." And they will go to somebody else who will lend them the money and pay more money for it.

MR. LATTIMER: Let them do it. I don't do it. How is that going to save their homes?

MR. REILLY: Well it says in many instances it has done. In some instances it has been almost to foreclosure. He hasn't done him a service, he's done him a disservice.

THE CHAIRMAN: Any other questions? MR. REILLY:

MR. REILLY: No, I'm happy.

THE CHAIRMAN: Mr. Lattimer?

Chairman: In what the witness suggested that a tariff be set by regulation of 1935 or second mortgage, which I think is sound, and going back to Mr. Reilly's questions and the question of the other members of the Committee, how are these people, who have already borrowed themselves into bankruptcy and are desperate, going to get money to there in a certain of 1935, because if there is a tariff they can't go anywhere else.

MR. LATTIMER: No, sir. I feel it's this way. It would avoid people paying 18% or 20% or 25% on good



1 properties. You see, the trouble is the home owner
2 today has a confidence in the finance companies. I think
3 possibly it's ill-placed. That's my opinion, for what
4 it is worth. But I feel it would stop. Let the
5 desperate people pay above the 12%, but let the man who
6 keeps a good secure property out of the hands of the
7 finance companies charging 18% and up.

8 MR. LETHERBY: I see your point. It is very
9 well taken.

10 THE CHAIRMAN: Any other questions?

11 MR. REILLY: I wondered how many refusals
12 Mr. Latimer would make normally. How many would you
13 accept and how many would you refuse under the
14 circumstances, on this basis?

15 MR. LATIMER: Now you are getting to know
16 my business. (Laughter)

17 THE CHAIRMAN: Do any of the members of the
18 Committee have any further questions?

19 MR. MACDONALD: I would like to ask you just
20 one question, Mr. Latimer. Have you any recommendations
21 about revising that Statement of Mortgage form as it
22 is at present? Or do you think it is satisfactory?

23 MR. LATIMER: I don't see that any more could
24 be added to it. I think it covers it very well. It
25 stresses that if there is a bonus, how much the bonus
26 is and Mr. Simone has sent around a directive here this
27 spring. You see -- what they used to do, when they
28 took advantage of this, they didn't make a breakdown.



gentles. You see, the trouble is the home owner
today has a confidence in the finance companies. I think
possibly it's ill-placed. That's my opinion. For what
it is worth. But I feel it would stop. Let the
respective people pay above the line, but let the man who
keeps a good secure property out of the hands of the
finance companies charging 10% and up.

MR. LITHEBERG: I see your point. It is very
well taken.

THE CHAIRMAN: Any other questions?
MR. KELLEY: I wondered how many retailers
Mr. Lathner would make normally. How many would you
accept and how many would you refuse under the
circumstances, on this basis?

MR. LATHNER: Now you are getting to know
my business. (Laughter)

THE CHAIRMAN: Do any of the members of the
Committee have any further questions?

MR. MACDONALD: I would like to ask you just
one question, Mr. Lathner. Have you any recommendations
about raising the Standard of Mortgage Loans as it
is at present? Or do you think it is satisfactory?

MR. LATHNER: I don't see that any more could
be added to it. I think it covers it very well. It
appears that it came in a decent, now mean the points
in and Mr. Stone has sent around a directive here this
spring. You see -- what they used to do, when they
took advantage of this, they didn't make a pretense.



1 Say there was \$1,000.00 costs involved, they weren't
2 making a breakdown. They were showing the \$1,000.00 as
3 a bonus and weren't showing anything else. Mr. Simone
4 sent around a directive here this spring making you
5 itemize what everything was which I think is a good
6 thing. I don't see anything else, no.

7 MR. MACDONALD: What about an additional
8 clause to the effect that -- spelling out the effective
9 rate of interest? The average person, -- we can't
10 calculate the effective rate of interest here, there
11 is only one man on the Committee, we are now trying
12 to learn it properly. But the average person --

13 MR. LATIMER: Well, I don't see anything
14 wrong with it. That's up to your Committee. But most
15 people can figure out. They say "Look, my charges is
16 \$250.00, I've got a 15 year mortgage, I can divide that
17 by 15". So what?

18 MR. MACDONALD: And add that to the interest
19 rate.

20 MR. LATIMER: They are not that stupid, the
21 public. They have wisened up a lot in the last couple
22 of years.

23 THE CHAIRMAN: If there are no further
24 questions, I would like to thank Mr. Latimer for coming
25 forward this morning. His testimony has been very
26 helpful to us and we appreciate his coming. Thank you.

27 Now we are going to hear from Mr. S. J. Sitzer
28 of the Lance Realty Finance Limited. Mr. Sitzer is
29 also a lawyer.

30



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MR. MACDONALD: And add that to the interest
rate.

MR. LAWRENCE: They are not that much, the
people. They have worked up a lot in the last couple
of years.

THE CHAIRMAN: There are no further
questions. I would like to thank Mr. Lawrence for coming
forward this morning. His testimony has been very
helpful to us and we appreciate his coming. Thank you.

MR. LAWRENCE: Really Finance Minister. Mr. Silver is
also a lawyer.



1 MR. SITZER: I have a prepared statement.

2 THE CHAIRMAN: You have a prepared statement.
3 I will ask Mrs. Dell to distribute the brief to the
4 members of the Committee.

5 MR. SITZER: Would you like me to read it,
6 Mr. Chairman?

7 THE CHAIRMAN: Yes. All right.

8 MR. SITZER: This is addressed to the Legis-
9 lative Assembly, Select Committee on Consumer Credit,
10 Parliament Buildings, Toronto 2, Ontario. "Gentlemen:
11 I wish to thank you for extending to me the invitation
12 to appear before your Committee on Consumer Credit."

13 THE CHAIRMAN: All right. Quiet, Please.

14 MR. SITZER: (Continues to read brief). "My
15 submission to you is based both upon my experience as
16 president of Lance Realty Finance Limited, a company
17 engaged in direct lending to the public on the security
18 of real estate, and upon my training in the field of
19 law.

20 "I submit at the outset, gentlemen, that since
21 the subject of "interest" and the regulation thereof
22 comes under federal jurisdiction by virtue of the British
23 North America Act, that the responsibility of the
24 provincial government lies with the problem of dis-
25 closure. The provincial government cannot legislate
26 with regard to the regulation of interest rates. I do
27 believe, however, that the provincial government can
28 legislate regarding the form and nature of advertise-
29 ments and contracts so that the borrowing public can
30



MR. SITTER: I have a prepared statement.

THE CHAIRMAN: You have a prepared statement.

I will ask Mrs. Bell to distribute the brief to the members of the Committee.

MR. SITTER: Would you like me to read it?

Mr. Chairman:

MR. SITTER: This is addressed to the Legis-

lative Assembly, Select Committee on Consumer Credit,

I wish to thank you for extending to me the invitation

to appear before your Committee on Consumer Credit.

MR. CHAIRMAN: All right. Quiet, please.

MR. SITTER: (continues to read brief). My

substantiation to you is based both upon my experience as

president of James Realty Finance, a company

engaged in direct lending to the public on the security

of real estate, and upon my training in the field of

law.

"I submit at the outset, gentlemen, that since

the subject of "interest" and the regulation thereof

comes under federal jurisdiction by virtue of the Federal

North America Act, then the responsibility of the

provincial government lies with the problem of dis-

closure. The provincial government cannot legislate

with regard to the regulation of interest rates. I

believe, however, that the provincial government can

legislate regarding the form and nature of advertise-

ments and disclosures so that the borrowing public can



1 determine their cost of borrowing, or their cost of
2 financing a retail purchase. The public is entitled to
3 know their cost of borrowing and I submit that the duty
4 of the provincial legislature lies in enabling the
5 public to have their cost ---"

6 THE CHAIRMAN: Just a moment, please. There
7 is so much noise in the hall. It makes it a little
8 difficult for you and for us to hear. Carry on.

9 MR. SITZER: "The public is entitled to know
10 their cost of borrowing and I submit that the duty of
11 the provincial legislature lies in enabling the public
12 to have their cost of borrowing disclosed to them."

13 I might just digress for one moment. There
14 was some discussion when Mr. Latimer appeared before
15 the Committee with regard to regulating the ceiling on
16 interest. I submit, gentlemen, that the provincial
17 government doesn't have any authority to regulate
18 with regard to ceilings on interest.

19 "The two aspects of consumer credit where dis-
20 closure arises are: (1) Disclosure in advertising,
21 (2) Disclosure in the obligating contract. I deal
22 firstly with disclosure in advertising.

23 "I direct your attention to the term "interest
24 rate". The term "interest rate" is in itself ambiguous.
25 One would expect that "interest rate" is simply the
26 cost of borrowing money. However, the cost of borrowing
27 money depends not so much on the "interest rate" but
28 rather on how this rate is applied. Interest can be
29 pre-calculated, it can be quoted by the discount method
30

determine their cost of borrowing, or their cost of financing a retail purchase. The public is entitled to know their cost of borrowing and I submit that the duty of the provincial legislature lies in enabling the public to have their cost --

THE CHAIRMAN: Just a moment, please. There

is so much noise in the hall. It makes it a little

difficult for you and for us to hear. Carry on.

MR. STEWART: The public is entitled to know

their cost of borrowing and I submit that the duty of the provincial legislature lies in enabling the public to have their cost of borrowing disclosed to them.

I might just digress for one moment. There

was some discussion when Mr. Gairden appeared before

the Committee with regard to regarding the ceiling on

interest. I submit, gentlemen, that the provincial

government doesn't have any authority to legislate

with regard to regarding an interest.

"The two aspects of consumer credit where dis-

closure arises are: (1) Disclosure to advertising,

(2) disclosure in the obligating contract. I deal

firstly with disclosure in advertising.

"I direct your attention to the term 'interest

rate'. The term 'interest rate' is in itself ambiguous.

One would expect that 'interest rate' is simply the

cost of borrowing money. However, the cost of borrowing

money depends not so much on the 'interest rate' but

rather on how this rate is applied. Interest can be

pre-calculated, it can be proved by the discount method



1 of calculation, it can be applied on a non-reducing bal-
2 ance, or it can be recited in other than "per annum"
3 terms. There are countless ways of referring to
4 "interest rates" but the cost of borrowing money depends
5 not so much on the rate of interest as on how the rate
6 is applied.

7 "Moreover, "interest rates" can be supplemented
8 by other costs of borrowing or financing, e.g. service
9 charges, commissions, brokerage fees, etc. It can be
10 readily be seen, therefore, that reference to "interest
11 rates" is not completely informative and does not give
12 the borrower all the information which the borrower is
13 entitled to have. I conclude in this respect, gentlemen,
14 that the public can be, and often is, misled by adver-
15 tisements referring to "interest rates". In the absence
16 of a uniform method of computation of interest being
17 established, more deception is practised by reference
18 to "interest rate" in advertisements than in omitting
19 to refer to interest at all. In this respect, most
20 lending insitutions are guilty. The consumer public
21 believes that banks charge 6% on personal loans when
22 this is, in fact, not true. The consumer public believes
23 that finance companies charge 11-12% on loans, when this
24 is not true.

25 "All companies lending money, either directly
26 (banks, finance companies, etc.), or indirectly (financ-
27 ing of retail purchases through discount or acceptance
28 companies), compete with one another. This competition
29 is reflected in the recital of "interest rates" in their
30



of calculation, it can be applied on a non-reducing bal-
ance, or it can be rested in other than "per annum"
terms. There are countless ways of referring to
"interest rates" but the cost of borrowing money depends
not so much on the rate of interest as on how the rate
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Moreover, "interest rates" can be supplemented
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tisements referring to "interest rates". In the absence
of a uniform method of computation of interest rates
advertisements, more deception is practiced by reference
to "interest rates" in advertisements than in omitting
to refer to interest at all. In this respect, bank
lending institutions are guilty. The consumer public
therefore must guard itself against deception.

this is, in fact, not true. The consumer public believes
that finance companies charge 15% on loans, when this
is not true.

"All companies lending money, either directly
(banks, finance companies, etc.), or indirectly (financ-
ing of retail purchases through discount or acceptance
notes), are required to disclose their rates of interest
in their advertisements in the matter of 'interest rates' in their



1 advertisements. Low rates are indicated to induce the
2 borrower and competitors must follow these deceptive
3 practices to compete. The effective, or true rate of
4 interest applied to the borrower is not, however, as
5 advertised but is a manipulation of the rate advertised
6 so that the borrower thinks he is borrowing at a certain
7 rate and, in fact, is paying a higher true rate of
8 interest.

9 "I submit that interest rates should not appear
10 in advertisements in the absence of the establishment of
11 a uniform method of expressing interest rates. I submit
12 that the simplest method of determining the cost of
13 borrowing money or financing a retail purchase is in
14 reference to "total dollar cost" and "total dollar cost"
15 should be advertised, not "interest rate". The only
16 accurate way any borrower can know how much his loan is
17 costing him is in terms of money, not "rates of interest".
18 If the "total dollar cost" is stipulated the borrower
19 has the opportunity of comparing the cost of any loan,
20 or the cost of financing his retail purchase in terms
21 of dollars rather than be deceived by reference to
22 "rates of interest". For in truth, the rate of interest
23 is only one factor in determining the ultimate dollar
24 cost.

25 "As I have stated previously, "interest rates"
26 may be supplemented by other dollar cost factors, such
27 as service charges, etc. The public, in relying on
28 statements referring to interest rates alone, is misled.
29 The consumer is more interested in his cost of borrowing
30



Low rates are indicated to induce the
borrower and competitors must follow these deceptive
practices to compete. The effective, or true rate of
interest applied to the borrower is not, however, as
advertised but is a manipulation of the rate advertised
so that the borrower thinks he is borrowing at a certain
rate and, in fact, is paying a higher true rate of
interest.

"I admit that interest rates should not appear
in advertisements in the absence of the establishment of
a uniform method of expressing interest rates. I admit
that the simplest method of determining the cost of
borrowing money or financing a retail purchase is in
terms of the dollar cost of the loan. The only
method by which any borrower can know how much his loan is
costing him is in terms of money, not "rates of interest".
If the "total dollar cost" is indicated the borrower
has the opportunity of comparing the cost of any loan,
or the cost of financing his retail purchase in terms
of dollars rather than as derived by reference to
"rates of interest". For example, the rate of interest
is only one factor in determining the ultimate dollar
cost.

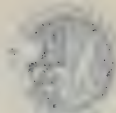
"As I have stated previously, "interest rates"
may be supplemented by other dollar cost factors, such
as service charges, etc. The practice of relying on
statements referring to interest rates alone, is misleading.
The consumer is more interested in the cost of borrowing



1 than he is in having his cost related in terms of
2 interest. The interest can be manipulated, however,
3 "dollar cost" can never be so manipulated. In view of
4 the different methods of applying interest rates, and
5 in view of the fact that interest is only one factor
6 in determining the cost of borrowing money or financing
7 a retail purchase, I submit that reference should be
8 made to "total dollar cost" in advertising and not to
9 "interest". Interest rates should not appear in
10 advertisements at all. Exceptions to this policy can be
11 made in the case of trust or insurance companies lending
12 on first mortgage security, when simple interest is
13 recited and no special service charges are factors in
14 altering the true or effective rate of interest.

15 "With regard to advertising, the "total dollar
16 cost" advertised should be based on the lender's highest
17 scale of charges and should include all service charges.
18 In this way the borrower is aware of his maximum dollar
19 cost of borrowing at the time he reads an advertisement.
20 He will be pleased if his cost of borrowing proves to
21 be less than advertised, rather than find, as is now
22 often the case, that he has been induced through
23 a "come-on" advertisement only to find that he does not
24 qualify for the terms advertised and his charges are
25 higher."

26 I might just digress for a moment here. With
27 regard to Mr. Latimer's testimony, his advertisements
28 recite 9% interest and 6 3/4 and 7% interest. These
29 advertisements are qualified by the word "prime" and
30



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the different methods of applying interest rates, and

in view of the fact that interest is only one factor

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"interest". Interest rates should not appear in

advertisements at all. Exceptions to this policy can be

made in the case of firms or insurance companies lending

on first mortgage security, when simple interest is

used and no special service charges are involved in

altering the time or effective date of interest.

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cost' advertised should be based on the lender's highest

scale of charges and should include all service charges.

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cost of borrowing at the time he needs an advertisement.

He will be pleased if his cost of borrowing proves to

be less than advertised, rather than find, as is now

often the case, that he has been misled through

a "come-on" advertisement only to find that he does not

qualify for the terms advertised and the charges are

higher."

I might just digress for a moment here. With

respective 3% interest and 6% and 7% interest. These

advertisements are qualified by the word "prime" and



1 Mr. Latimer mentioned in his testimony that in one
2 instance he had a borrower, who was dealing with a
3 finance company where he was paying 24%, come to him
4 and he was charging him only 12%. However, there is
5 no recital in any of Mr. Latimer's advertisements of
6 12% interest. This borrower may very well have come
7 to him on the basis of a 9% interest only to find that
8 he is, in fact, paying 12. I'm not saying that 12% is
9 good or bad, I'm just saying that the fact is he may
10 have come to Mr. Latimer through Mr. Latimer's adver-
11 tisements reciting a lower rate of interest than what,
12 in fact, the borrower did receive when he attended Mr.
13 Latimer's office.

14 "This submission regarding the removal of
15 interest rates from appearing in advertisements is made
16 in the absence of a uniform method expressing interest
17 rates being established. If a uniform method of
18 expressing interest can be established, all advertising
19 reciting "interest rate" should have the rate expressed
20 in accordance with the terms so established and only
21 the highest rate charged by the lender should be adver-
22 tised, so that the borrower is not misled by advertise-
23 ments reciting low rates. He can, on the other hand,
24 benefit if he qualifies for a lower than advertised
25 rate when only the highest rate is permitted to be
26 advertised. Moreover, all other maximum cost factors
27 should be expressed in advertisements so that a "low
28 rate" is not materially changed through service charges.

29 "The basic problem, as I have stated from the
30



... laster mentioned in his testimony that in one instance he had a borrower, who was dealing with a finance company where he was paying 2 1/2%, come to him and he was charging him only 1 1/2%. However, there is no recital in any of Mr. Laster's advertisements of 1 1/2% interest. This borrower may very well have come to him on the basis of a 2 1/2% interest only to find that he is, in fact, paying 1 1/2%. I'm not saying that 1 1/2% is good or bad, I'm just saying that the fact is he may have come to Mr. Laster through Mr. Laster's advertisement reciting a lower rate of interest than what, in fact, the borrower did receive when he attended Mr. Laster's office.

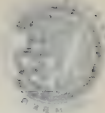
"This advertisement regarding the removal of interest rates from appearing in advertisements is made in the absence of a uniform method expressing interest rates being established. If a uniform method of expressing interest can be established, all advertising reciting 'interest rates' should have the rate expressed in accordance with the terms so established and only the highest rate charged by the lender should be advertised, so that the borrower is not misled by advertisements reciting low rates. He can, on the other hand, benefit if he qualifies for a lower than advertised rate when only the highest rate is permitted to be advertised. Moreover, all other maximum rates laster advertised, is not materially changed through service charges. The basic program, as I have stated from



1 outset, is one of disclosure. I have tried to this
2 point to present my submissions regarding disclosure in
3 advertising, I now direct your attention to disclosure
4 in the obligating contract signed by the borrower, in
5 his either borrowing money from a direct lender, or
6 indirectly through a credit retail purchase.

7 "I submit that regarding all time-payment
8 contracts, e.g. chattel mortgages, conditional sales
9 agreements, etc., that a supplementary statement form
10 be required to be supplied to the consumer. This form
11 could be similar to the form that is required to be given
12 under the Mortgage Brokers Registration Act. It should
13 be a simple form, uncluttered with phraseology that is
14 found in the usual chattel mortgage, conditional sales
15 agreement, or land mortgage forms. The statement should
16 be explicit and provide the consumer with the information
17 concerning the "total dollar cost" of the loan, the term
18 of the loan and the payments. By providing the consumer
19 with such a simple form he has the opportunity of having
20 disclosed to him in basic terms the cost of his time-
21 payment contract and there is less opportunity for his
22 being confused by the "fine print".

23 "Regarding mortgages --" Excuse me. I have
24 been speaking generally with regard to consumer credit.
25 It hasn't been specifically with reference to mortgages
26 only. This is with regard to banks, finance companies,
27 acceptance companies, any institution that lends either
28 directly or indirectly and what I have said up to this
29 point applies to all lenders. What I am going to read
30



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in the obligating contract signed by the borrower, in

the either borrowing money from a direct lender, or

indirectly, through a credit retail purchaser.

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"Regarding mortgages --" excuse me, I have

been speaking generally with regard to consumer credit.

It hasn't been specifically with reference to mortgages

only. This is when regard to banks, finance companies,

acceptance companies, any institution that lends either

directly or indirectly and which is subject to the

which applies to all lenders. What I am going to say



1 now will apply specifically to mortgage brokers.

2 "Regarding mortgages on real estate, a distinction
3 tinction should be drawn between "mortgage brokers" and
4 finance companies lending on the security of real
5 estate. It is true that both finance companies lending
6 on real estate and mortgage brokers fall within the
7 jurisdiction of the Mortgage Brokers Registration Act,
8 however, there is a very real distinction between them.

9 "Mortgage brokers are those who do not lend
10 their own funds but arrange mortgages, i.e. they either
11 sell mortgages or they find investors who are prepared
12 to advance money on the security of mortgages. Since
13 the mortgage broker does not have his own funds but
14 relies on others for money, the mortgage broker is not
15 in a position to maintain a uniform policy of lending.
16 As a broker he must take into consideration the dictates
17 or wishes of a third party, i.e. the investor, and terms
18 and rates must be tailored to satisfy the investor. The
19 borrower, in dealing with a mortgage broker, can thus
20 find himself paying a price for money that is dictated
21 by what some unknown investor wants in the way of a
22 return on his investment. Moreover, the broker, in
23 addition to exacting a term and rate that is often deter-
24 mined by a third party, usually charges a brokerage fee
25 or commission for his service. These fees have been
26 known to run quite high and considerably alter the
27 effective rate of interest paid by the borrower.

28 "Finance companies, lending on realty, lend
29 their own money. As such, a uniform policy of lending
30



now will apply specifically to mortgage brokers

"Regarding mortgages on real estate, a dis-

tinguisher should be drawn between "mortgage brokers" and

finance companies lending on the security of real

estate. It is true that both finance companies lending

on real estate and mortgage brokers fall within the

jurisdiction of the Mortgage Finance Registration Act,

however, there is a very real distinction between them,

"Mortgage brokers are those who do not lend

their own funds but arrange mortgages, i.e., they either

sell mortgages or they find borrowers who are prepared

to advance money on the security of mortgages. Since

the mortgage broker does not have his own funds but

relies on others for money, the mortgage broker is not

in a position to maintain a uniform policy of lending.

As a broker he must take into consideration the wishes

or wishes of a third party, i.e., the lender, and hence

his policy must be adapted to suit the lender. The

lender, in dealing with a mortgage broker, can then

find himself paying a price for money that is dictated

by what some unscrupulous lender wants in the way of a

return on his investment. Moreover, the broker, in

dealing with a lender, can find himself in a false

position to accepting a loan and then to offer back

money by a third party, usually through a brokerage fee

or commission for his services. These things have been

known to run down the high and mighty since the

effective date of the present Act by the law now

"Finance companies, on the other hand, lend

their own money. In such a uniform policy of lending



1 can be maintained. The dictates or wishes of a third-
2 party investor do not have to be taken into account.
3 The lending policy of Lance Realty Finance Limited is
4 uniform and does not vary. All loans are made on the
5 same basis and there are no qualifications regarding
6 security, such as "prime" or otherwise. If a loan is
7 made it is made on the same terms as each and every
8 other loan. If the merits of the loan do not meet our
9 standards, no higher rate or other term is applied, the
10 loan is simply rejected. No brokerage or inspection
11 fees are charged and only a nominal legal fee, which
12 includes disbursements, is ever made.

13 "A borrower, in dealing with a mortgage broker,
14 is unaware of who will be holding his mortgage contract
15 and to whom he will be responsible for payment. Should
16 there ever be some misunderstanding or complaint, the
17 borrower finds himself dealing with someone who had no
18 knowledge of the circumstances surrounding the arrange-
19 ment of the loan and, therefore, has difficulty in
20 getting satisfaction.

21 "A borrower, in dealing with a realty finance
22 company, knows throughout the life of the loan with whom
23 he is dealing and doesn't find that some unknown party
24 is holding his mortgage. As a result of this, if there
25 should ever be any complaint, recourse can be had by the
26 borrower directly to the finance company.

27 "With regard to advertising, since mortgage
28 brokers rely on a third-party investor to advance money
29 to the borrower, it is difficult for them to advertise
30

can be maintained. The details or wisdom of a third-party investor do not have to be taken into account. The lending policy of Finance Realty Finance Limited is uniform and does not vary. All loans are made on the same basis and there are no qualifications regarding security, such as "prime" or otherwise. If a loan is made it is made on the same terms as each and every other loan. If the merits of the loan do not meet our standards, no higher rate or other term is applied. The loan is simply rejected. No brokerage or inspection fees are charged and only a nominal legal fee, which includes disbursements, is ever made.

A borrower, in dealing with a mortgage broker, is unaware of who will be holding the mortgage contract and to whom he will be responsible for payment. Should there ever be some misunderstanding or complaint, the borrower finds himself dealing with someone who has no knowledge of the circumstances surrounding the arrangement of the loan and, therefore, has difficulty in getting satisfaction.

A borrower, in dealing with a Realty Finance company, knows throughout the life of the loan with whom he is dealing and doesn't find out some unknown party is holding his mortgage. As a result of this, it should avoid any complaint, because can be met by the borrower directly to the finance company.

With regard to advertising, since mortgage brokers rely on a third-party investor to advance money to the borrower, it is difficult for them to advertise



1 rates of interest or give examples of loans. In such
2 advertising it is quite likely that the loans actually
3 made would not adhere to the scheduled examples or the
4 rates recited, since an investor may not be prepared to
5 invest on the terms and for the yield on the particular
6 security offered. Thus in advertising rates of interest,
7 or showing examples of loans, the mortgage broker must
8 qualify the advertising with such words as "prime".
9 The reason this must be done is that the broker is not
10 completely aware of what term or yield an investor may
11 want for any particular security.

12 "The disadvantage now lies to the borrower in
13 that he sees an example of loan or an advertisement
14 reciting a low rate of interest and is attracted to the
15 advertiser. However, he is not aware that the example
16 in the advertisement, or the rate recited, which attracts
17 him, may not apply to his circumstances at all and that
18 his property is not "prime". Once again it is difficult
19 to determine the meaning of the qualifying word "prime"
20 since the test is a subjective one. The result is often
21 that a borrower is misled through advertising and finds
22 himself obligated under a contract other than as
23 advertised and other than that which he expected when
24 replying to the advertisement.

25 "With regard to finance companies, since the
26 moneys invested are their own, a uniform policy of lend-
27 ing is maintained. No qualification has to be made and
28 no "come-on" rates or examples of loans need be adver-
29 tised, which rates and terms would seldom, if ever, be
30



rates of interest or give examples of loans. In such
advertising it is quite likely that the loans actually
made would not adhere to the scheduled examples on the
pages recited, since an investor may not be prepared to
invest on the terms and for the yield on the particular
security offered. Thus in advertising rates of interest
on existing examples of loans, the mortgage broker must
qualify the advertising with such words as "prime".
The reason this must be done is that the broker is not
completely aware of what term or yield an investor may
want for any particular security.
"The disadvantage now lies to the borrower in
that he sees an example of loan or an advertisement
reciting a low rate of interest and is attracted to the
advertiser. However, he is not aware that the example
in the advertisement, or the rate recited, when offered
may not be a prime rate. Once again it is difficult
to determine the meaning of the qualifying word "prime"
since the test is a subjective one. The result is often
that a borrower is misled through advertising and finds
himself obligated under a contract other than as
advertised and other than what he expected when
replying to the advertisement.
Money invested and their own a certain policy of lend-
ing is maintained. No qualification has to be made and
no "come-on" rates or examples of loans need be adver-
tised, which rates and terms would seldom, if ever, be



1 adhered to. Finance companies have long advertised
2 examples of loans indicating the amount borrowed, payment
3 period and monthly payments. No rate of interest is
4 expressed.

5 "Dollar cost" of the loan is easily determined
6 by subtracting the amount borrowed from the total to be
7 repaid. Borrowers do not find in dealing with a
8 finance company that some schedule of repayment or term
9 other than that advertised is applied to them upon their
10 presenting themselves to the finance company in answer
11 to an advertisement. This is so because only one scale
12 of charges is applied by the finance company and no
13 qualification is made of the security presented by the
14 borrower. Either a loan is made on the basis of the
15 advertised schedule or no loan is made at all. No
16 greater charges are made to compensate for poor security.
17 I personally subscribe to this policy of advertising and
18 the advertising and lending policy of Lance Realty Fi-
19 nance Limited is based on this concept. The borrower
20 gets exactly what was advertised, nothing more and
21 nothing less.

22 "Unfortunately mortgage brokers, who are unable
23 to maintain any uniform lending policy, advertise rates
24 and terms that are rarely adhered to. To reiterate my
25 earlier submission, I suggest that no interest rates be
26 advertised and this policy should be extended to include
27 mortgage brokers (including realty finance companies),
28 but that reference should be made to "total dollar cost"
29 in advertisements. "Total dollar cost" appearing in
30



examples of loans involving the same amount borrowed, payment
period and monthly payments. No rate of interest is
expressed.

"Dollar cost" of the loan is easily determined
by subtracting the amount borrowed from the total to be
repaid. Borrowers do not find in dealing with a
finance company that some schedule of payment or term
other than that advertised is applied to them upon their
presenting themselves to the finance company in answer
to an advertisement. There is no reason why one could
or charges is quoted by the finance company and no
qualification is made of the security presented by the
borrower. Either a loan is made on the basis of the
advertised schedule or no loan is made at all. No
greater charges are made for advertisements for poor security
I personally subscribe to some policy of advertisement and
the advertising and lending policy of finance really fit
name claimed is based on this concept. The borrower
gets exactly what was advertised, nothing more and
nothing less.

"The money manager's broker, who is usually
no different any more from lending policy, business, fees
and terms that are never added to, to remember the
caption advertisement. I suggest that no borrower could be
advised that and this policy should be extended to finance
workings (not including really finance companies).
but that value and should be made to total dollar cost
in advertisement. "Total dollar cost" appearing in



1 advertisements should be based on the mortgage brokers'
2 highest scale of charges and all service charges should
3 be spelled out in the advertisement so that the borrower
4 is not surprised by hidden charges upon his attendance
5 at a broker's office in response to advertising.

6 "The problem of disclosure regarding mortgage
7 brokers does not arise other than in advertising since a
8 supplementary statement of mortgage is provided the
9 borrower enabling him to see his total cost of borrowing.
10 However, the advertising aspect of disclosure regarding
11 mortgage brokers can be considerably improved if
12 mortgage brokers, in advertising, disclose: (a) Their
13 highest scale of charges rather than their lowest, which
14 is now done and (b) Disclose their highest supple-
15 mentary charges, e.g. commissions, fees, etc.

16 "By advertising in this manner the borrower,
17 on reading an advertisement, can determine his highest
18 total cost of borrowing, rather than be induced by
19 deceptive advertising into believing that his costs
20 are less than what will, in fact, prove to be the case.

21 "Finally, I submit that a department will have
22 to be established which will have power to regulate on
23 all forms of consumer credit (other than interest rates),
24 because, as I mentioned, interest doesn't fall within
25 the province of the legislature, "including land
26 mortgages. The scope of consumer credit is extremely
27 wide and this subject matter should all be brought under
28 the supervision of one department rather than be dis-
29 bursed among various governmental departments wherein
30



highest scale of charges and all service charges should be spelled out in the advertisement so that the borrower is not surprised by hidden charges upon his attendance at a broker's office in response to advertising.

The problem of disclosure regarding mortgage brokers does not arise other than in advertising since a supplementary statement of mortgage is provided the

borrower enabling him to see his total cost of borrowing. However, the advertising aspect of disclosure regarding mortgage brokers can be considerably improved if

highest scale of charges rather than their lowest, which is now done and (b) Disclose their highest supplementary charges, e.g. commissions, fees, etc.

By advertising in this manner the borrower, on reading an advertisement, can determine his highest total cost of borrowing. Rather than be induced by deceptive advertising into believing that his costs are less than what will, in fact, prove to be the case.

Finally, I submit that a department will have to be established which will have power to regulate or all forms of consumer credit (other than interest rates) mentioned, interest doesn't fall within

the province of the legislature, including land mortgages. The scope of consumer credit is extremely wide and this subject matter should all be brought under



1 one department looks after land mortgages, another ch
2 chattel mortgages, another conditional sales contracts,
3 etc. Consumer credit extends to all forms of direct or
4 indirect borrowing, including retail credit purchases,
5 regardless of the form the security for repayment takes,
6 be it land mortgages or otherwise, and the field is
7 sufficiently large and important for a new department
8 to be formed to supervise it.

9 THE CHAIRMAN: Do wish to add anything to
10 your brief?

11 MR. SITZER: Well, I came in this morning
12 during Mr. Latimer's testimony and I would say that
13 Mr. Latimer is certainly, from my experience in this
14 field, I would have to be honest with you and say it
15 is extensive, his position is unique, really. His
16 scale of charges is very normal. Other than the fact
17 that he must do a tremendous volume of business, I
18 can't see how he can survive. Because his advertising
19 costs would be large and the overhead in running any
20 kind of office is substantial so in the absence of his
21 running a large volume of business, from the scale
22 of charges that he mentioned I can't see how he could
23 stay in business. However, he mentioned that he does
24 do a large volume of business, so therefore that's why.
25 With regard to his advertising, he may very well give
26 the majority of loans on the basis of his advertising
27 schedules. Mr. Latimer, among others, advertises a
28 schedule in the newspapers -- you borrow \$6,000, you
29 receive \$5750, term 20 years, rate 7% -- something like
30 that. Now these advertisements are always qualified by

one department looks after land mortgages, another of
etc. Jonathan credit extends to all forms of direct or
indirect borrowing, including retail credit purchases,
regardless of the form the security for repayment takes,
be it land mortgages or otherwise, and the field is
sufficiently large and important for a new department
to be formed to administer it.

THE CHAIRMAN: Do wish to add anything to
your paper?

MR. LITZER: Well, I came in this morning
during Mr. Lattimer's testimony and I would say that
Mr. Lattimer is certainly, from my experience in this
field, I would have to be honest with you and say it
is extensive, his position is unique, really. His
scale of charges is very normal. Other than the fact
that we must do a tremendous volume of business, I
can't see how he can survive. Because his advertising
costs would be large and the overhead in running any
kind of office is substantial so in the absence of his
running a large volume of business, from the scale
of charges that he mentioned I can't see how he could
stay in business. However, he mentioned that he does
do a large volume of business, so therefore that
with regard to his advertising, he may very well give
the majority of loans on the basis of his advertising
schedules. Mr. Lattimer, among others, advertised a
schedule in the newspapers -- you borrow \$50,000, you
pay 50, term 20 years, rate 7% -- something like
that. Now these advertisements are always published in



1 the word prime, a prime security. Now, Mr. Latimer,
2 in the example that he mentioned to us here was, in
3 fact, lending someone \$2,000.00 at 12%. I don't think
4 that it's proper that someone should come to see Mr.
5 Latimer -- now these people may very well have been
6 referred to him, I don't know how they got to him --
7 but if it wasn't this particular party it may have
8 been others that would have been attracted to Mr.
9 Latimer on the basis of a 9% first only to find that
10 they are, in fact, paying 12%. Now I don't think that's
11 right. I think that in any advertising the highest
12 scale of interest or charges should be advertised,
13 not the lowest. And if someone qualifies for a better
14 rate, fine. Let them then benefit by a lower rate,
15 what the broker or lender or whoever it is that gives
16 him the money feels they deserve. But I don't think
17 that it's fair that they should be induced into coming
18 into anyone's office on the basis of something that
19 they may, in fact, not receive. That's with regard
20 to advertising. I have some examples of advertisements
21 which I collected over the last little while and I
22 would be glad to let you look at them and have them if
23 you like, and they would be examples which, in my
24 opinion, in certain instances would be examples of good
25 advertising and in other instances poor advertising.

26 THE CHAIRMAN: Just a moment now. Is the
27 Committee interested in hearing some of these read,
28 or having a look at them, or just having them filed.
29 I think we will just file them with the Secretary.



the word being, a prime secretary, Now, Mr. Latimer,
in the example that he mentioned to us here was, in
fact, sending someone \$2,000.00 in 1934. I don't think
that it's proper that someone should come to see Mr.
Latimer -- now these people may very well have been
referred to him, I don't know how they got to him --
but it is wasn't this particular party it may have
been others that would have been referred to Mr.
Latimer on the basis of a 9% rate only for the time
they are, in fact, paying 12%. Now I don't think that's
right. I think that in any negotiating the highest
scale of interest or charges should be advertised,
not the lowest. And if someone qualifies for a better
rate, fine. But then then definitely a lower rate,
what the broker or lender or whoever it is that gives
him the money feels they deserve. But I don't think
that it's fair that they should be induced into coming
into someone's office on the basis of something that
they may, in fact, not receive. That's what I said
as advertised. I have some examples of interest payments
which I collected over the last twelve years and I
would be glad to let you look at them and have them if
you like, and they would be examples which, in my
opinion, in certain instances would be examples of good
advertising and in other instances would be advertising
which is a waste of money. In the
instances mentioned in my report of these years,
of having a fact at hand on just having been listed.
I think we still lack the data on the property.



1 MR. STIZER: Basically these examples -- there
2 are all kinds of consumer credit -- that one happens to
3 be the Bank of Nova Scotia and is as advertised. They
4 mention borrow at a certain figure -- \$300.00 or \$1,000.00
5 -- you repay over a certain period -- 12 months, 36
6 months, and so on -- and per month.

7 THE CHAIRMAN: There is no mention of the
8 rate of interest?

9 MR. SITZER: I think that is good adver-
10 tising. Because if they did mention the rate of
11 interest, and they might very well mention it, a 6%
12 rate. This is an example (voice inaudible) -- now
13 they have examples of loans like that which once again
14 refer to amount required, a certain figure (voice
15 inaudible) -- however, I do believe that this is bad
16 advertising. On the side of this little advertisement
17 they have a series of questions and answers and one
18 of the questions is, "What does a loan cost me?" And
19 the answer is, "6% per year deducted in advance."
20 (voice inaudible)--Yet this, in effect, is not a 6%
21 rate which, I think, would be the impression gained
22 by a borrower. (Voice inaudible). This is an example
23 of a loan by Household Finance Company and once again
24 the amount of the loan, the term of the loan and the
25 monthly payments, no rate of interest is recited and
26 yet, in all these instances, any borrower obtaining
27 any amount of money, in any of these advertised areas,
28 gets exactly what was advertised, nothing more, nothing
29 less. And I think that's fair, because if a borrower
30

MR. STUBBS: But really these examples -- there are all kinds of consumer credit -- that one happens to be the Bank of Montreal and so on advertised. They mention down at a certain figure -- \$100.00 or \$1,000.00 -- you really over a certain period -- 12 months, 24 months, and so on -- and per month.

THE CHAIRMAN: There is no mention of the rate of interest.

MR. STUBBS: I think that is good advertising. Because if they did mention the rate of interest, and they might very well mention it, a 5% rate. This is an example (voice handling) -- now they have examples of loans like that which ones again refer to amount repaid, a certain figure, voice handling) -- however, I do believe that this is bad advertising. On the side of this little advertisement they have a number of questions and answers and one of the questions is, "What does a loan cost me?" and the answer is, "We have decided in advance." (voice handling) -- let this, in effect, is not a 5% rate, which, I think, would be the reputation gained by a borrower. (Voice handling) This is an example of a loan by Montreal Finance Company and one of the terms of the loan, and one of the terms of the loan is that the amount of interest is reduced and monthly payments, no rate of interest is reduced and yet, in a 12 month loan, any borrower obtains a certain amount of money, and any of these advertised loans get exactly what was advertised, nothing more, nothing less. And I think that is fair, because if a borrower



1 wants to borrow \$1,000.00 over 30 months and pay
2 \$41.45 -- if he's prepared to do that, that's fine.
3 He knows that that is exactly what he is going to get
4 when he replies to this ad and I think that's fair. If
5 a rate of interest has to be stipulated in advertising
6 then I can tell you that the rates that are going to
7 be stipulated are the rates that are going to be
8 doctored in some way so as to reflect or create an
9 impression that they are, in fact, less than the true
10 rate.

11 MR. BUKATOR: Unless there is some legis-
12 lation.

13 MR. SITZER: Unless there is some legis-
14 lation stating how interest should be expressed.
15 Whether we have -- the provincial legislature has
16 authority to do that, I don't know. But that's
17 something else again. One thing I can say is that
18 they certainly don't have authority to regulate with
19 regard to ceilings. I'm not saying that is good or
20 bad, but they don't have authority to do it. So that's
21 my feelings on advertising. I might, by the way, give
22 you an example of the type of advertising we use, as
23 well. It's basically the same as that which --
24 (voice inaudible) -- basically it's a schedule of loans,
25 amounts you may borrow, monthly payments and the terms.

26 MR. BUKATOR: Do you advertise extensively
27 in the newspapers?

28 MR. SITZER: No. We do very little, I would
29 say almost no advertising in the newspapers.



wants to borrow \$1,000.00 over 30 months and pay
\$41.45 -- at his prepared to do what, what's fine.
He knows that is exactly what he is going to get
when he repays to the 30 and I think that's fair. It
a rate of interest has to be stipulated in advertising
then I can tell you that the rate that are going to
be stipulated and the notes that are going to be
discounted in some way so as to reflect on credit and
impression that they are, in fact, less than the true

MR. BROWNE: Unless there is some legis-

lation.

MR. SUTHER: Unless there is some legis-

lation stating how interest should be calculated.

Whether we have -- the provincial legislature has

authority to do that, I don't know. But there

something else again. And I think I can say is that

they certainly don't have authority to regulate this

respect to advertising. I don't suppose there is a law on

that, but they don't have authority to do it. So that's

my feeling on advertising. I mention it for the way, give

you an example of the type of advertising we have, as

well. It is a business, but it is a kind of which --

(voice thrumming) -- basically it is a business of forms.

because you may receive monthly payments and the forms

MR. BROWNE: Is your advertising exclusively

in the newspaper?

MR. SUTHER: No, we do very little. I would

say almost no advertising in the newspaper.



1 MR. BUKATOR: Radio?

2 MR. SITZER: No.

3 THE CHAIRMAN: Gentlemen, are there any
4 questions or shall we have Mr. Sedgwick --

5 MR. BUKATOR: We touched on advertising and
6 rates of interest, now this Lance Realty Finance
7 Limited, you do a lot of mortgage loans, do you?

8 MR. SITZER: No, we don't --

9 MR. BUKATOR: I'm sorry. I was asking the
10 gentleman if they did a lot of mortgage loaning, but
11 you do not?

12 MR. SITZER: No, we are, I would say, very
13 small, certainly we don't compare with the volume of
14 business that Mr. Latimer does.

15 MR. BUKATOR: Most of your financing is
16 what, in what area? What do you finance?

17 MR. SITZER: Our loans are made only on
18 security real estate.

19 MR. BUKATOR: On real estate only?

20 MR. SITZER: Security real estate only. We
21 are not a general finance company, lending on chattels
22 which cover cars, furniture and so on. We lend only
23 on security of real estate. We are mortgage --
24 effective mortgage lenders.

25 MR. BUKATOR: Yes. That was the question I
26 was trying to make. Now, if I were to come to you and
27 borrow, let's say, \$3,000, I suppose I could look at
28 this little schedule here?

29 MR. SITZER: Right.

30

MR. BAKER: Right?

MR. BAKER: No.

THE CHAIRMAN: Gentlemen, are there any

questions or shall we have Mr. Sedgwick --

MR. BAKER: We touched on everything and

rather of interest, now this Land Realty Finance

Company, you do a lot of mortgage loans, do you?

MR. BAKER: No, we don't --

MR. BAKER: I'm sorry. I was saying the

Gentlemen if they did a lot of mortgage loaning, but

you do not?

MR. BAKER: No, we don't, I would say, very

small, certainly we don't compare with the volume of

business that Mr. Sedgwick does.

MR. BAKER: Most of your business is

what, is it? What does it do for them?

MR. BAKER: Our loans are made only on

security and cash.

MR. BAKER: On what basis only?

MR. BAKER: On the basis of cash only, we

are not a general finance company, lending on chattels

which cover cash, that is all we do. We lend only

on security of cash -- we are mortgage --

investive mortgage company.

MR. BAKER: Yes, now the question I

was trying to ask, now, if I were to come to you and

say, let's say, \$100, I suppose I could look at



1 MR. BUKATOR: As to how that would be handled.
2 What rate of interest would you consider \$74.10 per
3 month on \$3,000 would bear your company?

4 MR. SITZER: What rate of interest would that
5 be?

6 MR. BUKATOR: Yes?

7 MR. SITZER: Well, I would say that the rate
8 is about $13\frac{1}{2}\%$, or 13.75, excuse me. Now, due to the
9 fact that it is amortized -- all loans that we give are
10 amortized, they are paid out in the period provided for
11 in the contract, and they are all -- I would say 90% of
12 them are made exactly on the basis of this chart.

13 MR. BUKATOR: Do you recommend that formula?

14 MR. SITZER: I think that it is certainly a
15 very fair rate of lending. I wouldn't say that it could
16 be applied throughout the lending field though.

17 MR. BUKATOR: You actually take mortgages on
18 the property?

19 MR. SITZER: Yes, we do, that's right.

20 MR. WHITE: I would like to know how you get
21 that interest rate, 13.75?

22 MR. SITZER: Well, we -- looking at any example,
23 say \$2,000. We charge 5% per year as a bonus. In other
24 words we precalculate 5% each year.

25 MR. BUKATOR: Well, what's that got to do
26 with it?

27 MR. WHITE: Well, here are the figures --
28 let's just use these figures.

29 MR. SITZER: Very good.



MR. HUNTER: As to how that would be handled.

What rate of interest would you consider \$74.10 per month on \$3,000 would bear your company?

MR. STUBBS: What rate of interest would that

MR. HUNTER: Yes?

MR. STUBBS: Well, I would say that the rate is about 13% or 13.75, excuse me. Now, due to the fact that it is amortized -- all loans that we give are amortized, they are paid out in the period provided for in the contract, and they are all -- I would say 90% or there are made exactly on the basis of this chart.

MR. HUNTER: Do you recommend that formula?

MR. STUBBS: I think that it is certainly a very fair rate of lending. I wouldn't say that it could be applied throughout the lending field though.

MR. HUNTER: You actually take mortgages on the property?

MR. STUBBS: Yes, we do, that's right.

MR. HUNTER: I would like to know how you get that interest rate 13.75?

MR. STUBBS: Well, we -- looking at any example say \$2,000. We charge 9% per year as a bonus. In other words we amortize it each year.

MR. HUNTER: Well, what's that got to do with it?

MR. STUBBS: Well, here are the figures --

Let's just use these figures.



1 MR. WHITE: So if you take \$2,000 for easy
2 figuring, 49 -- 39 times 60 months. Isn't that multiplied
3 by 60 payments?

4 MR. SITZER: Yes.

5 MR. WHITE: I know how to work it out here
6 again, but I suggest that it is considerably more than
7 13.75.

8 MR. SITZER: I was glad to elaborate that
9 due to the fact that it is amortized it works out to a
10 higher rate than that. It is approximately 17% due to
11 the fact that it is amortized but if it were not amortized
12 it would work out to 13.75%.

13 MR. IRWIN: That's the essential point, is it
14 not, that -- I just made a rough calculation -- the
15 effective rate is, to me, 19.2%.

16 MR. SITZER: That is inaccurate.

17 MR. IRWIN: Why is it inaccurate?

18 MR. SITZER: I don't know how you do your
19 calculating. It isn't right at all.

20 MR. IRWIN: Well, if you use a compound
21 interest table, which I haven't got, using short cut
22 methods, and I have checked this out with actuarial
23 tables and this would, in effect, be in that range at a
24 compound rate of interest.

25 MR. SITZER: No, it isn't that at all. I
26 believe that Mr. Simone presented Mr. Sedgwick with --

27 MR. SEDGWICK: Yes, I have a table prepared
28 by the Financial Publishing Company which shows that the
29 norm of \$1500.00 -- that's the first one on your list --
30

MR. WHEAT: So if you take \$2,000 for easy

by 60 payments?

MR. WHEAT: I know how to work it out here

again, but I suggest that it is considerably more than

13.75.

MR. STEVEN: I was glad to discover that

due to the fact that it is amortized it works out to a

higher rate than that. It is approximately 17% due to

the fact that it is amortized but if it were not amortized

it would work out to 13.75.

MR. STEVEN: That's the essential point, is it

not, that -- I just made a rough calculation -- the

effective rate is, to me, 13.75.

MR. STEVEN: That is incorrect.

MR. STEVEN: Why is it incorrect?

MR. STEVEN: I don't know how you are going

calculating. It isn't right at all.

MR. STEVEN: Well, if you use a compound

interest table, which I haven't got, using about one

method, and I have checked this out with actuarial

tables and this would, in effect, be in that range at a

compound rate of interest.

MR. STEVEN: No, it isn't that at all. I

believe that Mr. Stevens presented Mr. Sedgwick with --

MR. STEVEN: I have a table which shows the

of the various methods of calculating interest which shows that the

method of 13.75 is the first one on your list --



1 would be payments of \$36.82 a month, which is about 75¢
2 a month less than yours and over five years the true
3 rate is 17%.

4 MR. SITZER: Yes, that's true. That is quite
5 true. Through the fact that it is amortized it increases
6 the --

7 MR. SEDGWICK: The principal is being paid
8 out --

9 MR. SITZER: Correct. That's true.

10 MR. IRWIN: I think, in effect, when you said
11 I was totally wrong I am not totally wrong. If we
12 worked this out actually by tables you would find -- I
13 don't know what formula Mr. Sedgwick has -- using
14 compound interest tables it would work out in the area
15 of 18 to 19%.

16 MR. SITZER: No, I disagree.

17 MR. IRWIN: All right. I'll agree with your
18 17%, but it isn't 13.75 as you stated.

19 MR. SITZER: I would have to say that the
20 computation of a rate of interest is a very difficult
21 thing. This 17% that's reflected in the tables which
22 Mr. Sedgwick is looking at, is prepared by some calcu-
23 lating machine. The method of computation -- I haven't
24 really any idea of how it's done exactly -- I would say
25 that none of us here could determine the accurate rate,
26 or true rate, or effective rate of interest that is
27 being charged within 3 or 4%.

28 MR. IRWIN: No, I disagree with you totally.
29 That is not so.

30 MR. SEDGWICK: (Voice inaudible)



...of \$56.82 a month, which is about 75¢
 a month less than yours and over five years the true
 rate is 17%.

MR. SIBBER: Yes, that's true. That is quite
 true, through the fact that it is amortized it increases
 the --

MR. SIBBER: OK. The principal is being paid
 out --

MR. SIBBER: Correct.
 MR. IRWIN: I think, in effect, when you said
 I was totally wrong I am not totally wrong. It was
 worked this out actually by tables you would find -- I
 don't know what formula Mr. Sedgwick has -- using
 compound interest tables it would work out in the area
 of 18 to 19%.

MR. SIBBER: No, I disagree.

MR. IRWIN: All right. I'll agree with your
 17%, but it isn't 13.7% as you stated.

MR. SIBBER: I would have to say that the
 computation of a rate of interest is a very difficult
 thing. This 17% that's reflected in the tables which
 Mr. Sedgwick is looking at, is prepared by some calcu-
 lating machine. The method of computation -- I haven't
 really any idea of how it's done exactly -- I would say
 that none of us here could determine the accurate rate,
 being charged within 5 or 10%.

MR. IRWIN: No, I disagree with you totally.



1 MR. MACDONALD: Within 1% either way. Surely
2 Mr. Sitzler, the weakness in your whole presentation,
3 in which there is some rather good points that I think
4 our Committee should consider, is that what we want is
5 an effective rate of interest. Now, if the public are
6 being sucked in, in the fashion that you deplore, by not
7 telling what the effective rate of interest is, by just
8 telling the dollar value, they don't -- even intelligent
9 people can't calculate the dollar value.

10 MR. SITZER: That's true.

11 MR. MACDONALD: What this means -- so your
12 effective rate of interest is what you want. You see
13 now, you want full disclosure and yet you come before
14 the Committee and claim it's 13 when, in fact, it's
15 17 or 18 or 19.

16 MR. SITZER: That isn't true. In our calcu-
17 lation, in our calculation which is very basic, we feel
18 that the rate of interest is approximately 14%. Now,
19 if every payment were made on the day that it fell due
20 throughout the entire life of the loan, then I would
21 have to bow to the calculating machine and say, "Yes,
22 we do charge 17%". However, in practice there are very
23 few loans that are made where people repay exactly in
24 accordance with the obligating contract.

25 MR. MACDONALD: In other words, hidden in
26 your presentation is an extra 3 or 4 or 5% because of the
27 fact that they may be late in the repayment of their
28 loans on occasion?

29 MR. SITZER: I wouldn't say it's hidden in
30



Mr. Sinker, the weakness in your whole presentation, in which there is some rather good points that I think our Committee should consider, is that what we want is an effective rate of interest. Now, in the public eye being evoked in, in the fashion that you propose, by not telling what the effective rate of interest is, by not telling the dollar value, they don't -- even intelligent people can't calculate the dollar value.

MR. SINKER: That is true.

MR. WATKINS: When this means -- to you, effective rate of interest is what you want. You see now, you want full disclosure and yet you come before the Committee and claim it is 13 when, in fact, it is 17 or 18 or 19.

MR. SINKER: That is true. In our calculation, in our calculation which is very small, we find that the rate of interest is approximately 17%. Now, if every payment were made on the day that it fell due throughout the entire life of the loan, then I would have to bow to the calculating machine and say, "Yes, we do change 17%". However, in practice there are very few loans that are made where payments are exactly as recommended with no obligation contract.

MR. WATKINS: In other words, divided in your presentation as an example 3 or 4 or 5 because of the fact that they may be late in the payment on their loans on occasion?

MR. SINKER: I would not say it is higher in



1 my calculation. I would say that it, in fact, works
2 out that way if you take it accurately, if you take
3 the payments as they are made with respect to any loans,
4 what's been repaid and the way it's been repaid, I would
5 say that the effective rate of interest which you would
6 get on the loan would be about 14%.

7 MR. BUKATOR: Mr. Chairman, the question I
8 would like to ask at this point does not the gentleman's
9 company issue cheques to the man who borrows the money?
10 At least make them out for him and have 12 post-dated
11 cheques sent in to your company so that you can put them
12 in the bank when they come due?

13 MR. SITZER: We don't insist on that.

14 MR. BUKATOR: But you do use that practice?

15 MR. SITZER: If they request it, we do. We
16 don't insist upon it. I would say there are very few of
17 our loans that are paid that way. And notwithstanding
18 that that is the manner in which some loans are paid, we
19 often get requests from borrowers saying, "Please don't
20 put my cheque in on the first of the month. Hold it to
21 the 15th of the month". And we do. Or if they don't
22 call we often put cheques in and then, of course, they
23 are returned NSF, which, in effect means they haven't
24 been paid in the manner in which they contracted to so
25 pay.

26 MR. WHITE: Well, now then, sir, in this
27 matter of advertising, you complain in your brief
28 about come-on advertisers, and you have been good enough
29 to provide us with a sample of your advertising and I
30



my calculation. I would say that it, in fact, works
the payments as they are made with respect to any loan,
what's been repaid and the way it's been repaid, I would
say that the effective rate of interest which you would
get on the loan would be about 14%.

MR. BURKATON: Mr. Chairman, the question I
would like to ask at this point does not the gentleman's
company issue checks to the man who borrows the money?
At least make them out for him and have it post-dated
checks sent in to your company so that you can put them
in the bank when they come due?

MR. SITZ: We don't insist on that.
MR. BURKATON: But you do use that practice?
MR. SITZ: It only requires it, we do. We

don't insist upon it. I would say there are very few of
overseas that are paid that way. And notwithstanding
that that is the manner in which some loans are paid, we
often get requests from overseas say, "Please don't
put my cheque in on the first of the month. Hold it to
the 15th of the month." And we do. Or if they don't
call we often put cheques in and then, of course, they
are returned 45%, which, in effect means they haven't
been paid in the manner in which they contracted to do

MR. WILLIS: Well, now then, sir, in this
matter of advertising, you complain in your brief
some on advertisements, and you have been good enough
to provide us with a sample of your advertisement.



1 have a card in my hand which is an advertisement of
2 yours which is about a year old and here is some of the
3 phraseology. I want you to tell me whether it is a
4 come-on or not, since this is one of your objections.
5 "Do you need money? Are your monthly payments too high?
6 Perhaps you need money to pay a mortgage about to come
7 due. Available cash will solve most financial problems.
8 You may obtain advice and cash from us under a low
9 payment mortgage loan plan", which we now have determined
10 is 18% plus or minus 1%. "Start living again! All
11 loans are open! Secure ready cash!" Is that not a form
12 of come-on advertising? Start living again, etc.?

13 MR. SITZER: I won't deny that we are looking
14 for business but there is nothing that appears in the
15 advertisement which isn't true. Any loan that we make
16 is in exact accordance with the schedule advertised.

17 MR. WHITE: Well, does the trade's low payment
18 mortgage loan plan -- is that consistent with the 17%
19 -- the same rate of interest?

20 MR. SITZER: I would say yes.

21 MR. WHITE: Then what would be a high, what
22 would be a high payment mortgage loan plan?

23 MR. SITZER: I would say that the loans that
24 we generally make are made to people who are presently
25 dealing with finance companies where the rates are 24%
26 and also even greater than that.

27 MR. WHITE: Is your lending on the basis of
28 real estate collateral only?

29 MR. SITZER: Only.
30



1 have a card in my hand which is an advertisement of
2 some kind. I want you to tell me whether it is a
3 pharmacy. I want you to tell me whether it is a
4 come-on or not. I want you to tell me whether it is one of your objections.
5 "Do you need money? Are your monthly payments too high?"
6 Perhaps you need money to pay a mortgage about to come
7 due. Available cash will solve most financial problems.
8 You may obtain advice and cash from us under a low
9 payment mortgage loan plan. Which we now have determined
10 to 10% plus or minus 1%. "Start living again! All
11 loans are open! Secure ready cash." Is that not a form
12 of come-on advertisement? Start living again, etc.?
13 MR. STEPHENS: I won't deny that we are looking
14 for business but there is nothing that appears in the
15 advertisement which isn't true. Any loan that we make
16 is in exact accordance with the schedule advertised.
17 MR. WATTS: Well, does the trade's low payment
18 mortgage loan plan -- is that consistent with the 10%
19 -- the same rate of interest?
20 MR. STEPHENS: I would say yes.
21 MR. WATTS: Then what would be a high, what
22 would be a high payment mortgage loan plan.
23 MR. STEPHENS: I would say that the loans that
24 we generally make are made to people who are presently
25 dealing with finance companies where the rates are 12%
26 and also even greater than that.
27 MR. WATTS: Is your lending on the basis of
28 real estate collateral only?



1 MR. WHITE: Do you add any furniture?

2 MR. SITZER: Never.

3 MR. WHITE: Never. That's all.

4 MR. BUKATOR: I would like to get through
5 my line of questioning. This money that you would loan
6 me if I came to your office would be by way of first
7 mortgage only?

8 MR. SITZER: No. It could be by way of a
9 third mortgage, and if often is.

10 MR. BUKATOR: Does the same rate of interest
11 apply, according to your schedule here, if it's a third
12 mortgage?

13 MR. SITZER: Yes, it does. We have only one
14 scale of charges and that's it. There is no deviation
15 made --

16 MR. IRWIN: You made a comment just a moment
17 ago when Mr. White asked you what would be a high rate
18 of interest and you referred to some of the charges by
19 finance companies of, let us say, 24%. That was what
20 you said. Now, how did you arrive for comparative
21 purposes at their 24%?

22 MR. SITZER: By looking at the tables that
23 Mr. Sedgwick has in front of him. By looking at the
24 tables that Mr. Sedgwick has in front of him, if you
25 would be interested, you would find that the example for
26 the schedule of payments that are advertised by the
27 Canadian Bank of Commerce, in the little advertisement
28 which I gave to you, reflected interest rate in excess
29 of 14%.

MR. WHITE: Do you see any further?

MR. WHITE: Now, that's all.

MR. BAKER: I would like to get through.

my line of questioning. This money that you would loan me at I assume your office would be by way of first

mortgage only.

MR. BAKER: No. It could be by way of a

third mortgage, and it often is.

MR. BAKER: Does the same rate of interest

apply, according to your schedule here, if it's a third

mortgage?

MR. BAKER: Yes, it does. We have only one

scale of charges and that's it. There is no deviation

name --

MR. BAKER: You made a comment, I saw a moment

ago when Mr. Baker asked you what would be a high rate

of interest and you referred to some of the charges by

financial companies of 12 to 15 per cent. That was what

you said. Now, now you arrive for comparative

proportion at 12 per cent.

MR. BAKER: By looking at the rates that

Mr. Sedgwick has in front of him. By looking at the

tables that Mr. Sedgwick has in front of him, he has

would be interested, you would find that the example for

the schedule of payments that we advertised by the

Canadian Bank of Commerce, in the little advertisement

which I gave to you, reflected interest rates in excess

of 12 per cent.



1 MR. IRWIN: Well, that's not the point.
2 The point that is revealing to me is that you are quite
3 aware of what this Committee is talking about when they
4 speak of an effective annual rate of interest because
5 you are able to quote the effective rate of interest
6 in the Canadian Bank of Commerce is 14% and that some
7 other company is 24% and under questioning you admit
8 that, using the same comparison, yours is in the area of
9 17%. I say that by using actuarial tables it's
10 towards 19% but nonetheless you came and suggested that
11 you are only charging 13.75% so that you must have
12 known, in your own mind, that when you quoted 13.75%
13 that you weren't giving us the comparative figures
14 within your own mind.

15 MR. SITZER: I would say that I am not
16 prepared to completely rely on these tables. I don't
17 know how they are calculated really. I don't know
18 how they are prepared. I know exactly how I do my
19 calculating and I know that I'm not out very much.
20 However, if through the fact that it is amortized,
21 which it is in the obligating contract, it is amortized.
22 But it, in fact, very seldom finds itself paid off on
23 the basis of what people have agreed to and for that
24 fact, if it isn't paid exactly, I would say that there
25 is probably a reduction in interest of maybe 3 or 4%.

26 MR. IRWIN: Well, on this question of whether
27 they pay the day before or the day after or two days
28 late on each payment, is an administrative one and I
29 don't think the effect on the rate of interest would
30 be very high, but maybe it would. I will have to look

MR. TWINN: Well, that's not the point.

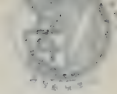
The point that is revealing to me is that you are so aware of what this Committee is talking about when they speak of an effective annual rate of interest because you are able to quote the effective rate of interest in the Canadian Bank of Commerce at 14% and that some other company is 24% and under questioning you admit that, using the same comparison, yours is in the area of 14%. I say that by using actual tables it's towards 14% but nonetheless you came and suggested that you are only charging 12.75% so that you must have known, in your own mind, that when you quoted 12.75% that you weren't giving me the comparative figures within your own mind.

MR. TWINN: I would say that I am not prepared to completely rely on these tables. I don't know how they are calculated really. I don't know how they are prepared. I know exactly how I do my calculating and I know that I'm not out very much. However, if through the fact that it is amortized, which it is in the calculating context, it is amortized. But it, in fact, very seldom finds itself paid off on the basis of what people have agreed to and for that fact, if it isn't paid exactly, I would say that there is probably a variation in interest of maybe 2 or 3%.

MR. TWINN: Well, on this question of whether they pay the day before or the day after or two days late on each payment, is an administrative one and I don't think the effect on the rate of interest would be very high, but maybe it would. I will have to look



1 into it. But I think the essential thing that we
2 have to -- I'm merely trying to keep us on the right
3 track because we have had other people up before us
4 and by using these relatively simple and short-cut
5 methods of establishing effective rate of interest,
6 we have found people to be charging very high rates --
7 40, 50, 80% rates of interest. So we have to talk
8 about -- when we are talking about your operation -- we
9 have to talk about this same effective rate of interest,
10 instead of talking about 14% -- and I think that we are
11 right on the crux of the whole problem here when, on
12 page 2 you strongly recommend -- with the previous
13 wording and the following wording "that the only
14 really meaningful statement to the public is dollar
15 cost". Now I am not here to give opinions, but I would
16 like to get yours. Supposing you had a situation in
17 which a man was effectively borrowing \$100.00 and it
18 is stated to him that the carrying charges were \$20.00,
19 so the full amount in cash to be paid is \$120.00. Now
20 you made a clear statement of the cost to him of the
21 money -- the total dollar cost but, again I am using a
22 short-cut method which I checked out with actuarial
23 tables and it's within 1 or 2% -- would it surprise
24 you that if that person were required to pay back
25 \$120.00 in six payments that he might be paying as high
26 as 80% effective annual interest? If he were required
27 to pay in 12 payments he would be paying roughly 40%
28 per annum compounded interest? And if he were required
29 to pay in 15 payments it would be 32% roughly. Now I
30



... I think the...
have to -- I'm merely trying to keep us on the right
track because we have had other people up before us
and by using these relatively simple and short-cut
methods of establishing effective rate of interest,
we have found people to be charging very high rates --
40, 50, 80% rates of interest. So we have to talk
about -- when we are talking about your operation -- we
have to talk about this same effective rate of interest,
instead of talking about 1% -- and I think that we are
right on the mark of the whole problem here when, on
page 2 you strongly recommended -- with the previous
wording and the following wording "that the only
really meaningful statement to the public is dollar
cost". Now I am not here to give opinions, but I would
like to get yours. Supposing you had a situation in
which a man was effectively borrowing \$100.00 and it
is stated to him that the carrying charges were \$20.00,
so the full amount in cash to be paid is \$120.00. Now
you made a clear statement of the cost to him of the
money -- the total dollar cost but, again I am using a
short-cut method when I checked out with substantial
figures and it's within 1 or 2% -- would it surprise
you that if that person were required to pay back
\$120.00 in six payments that he might be paying as high
as 80% effective annual interest. If he were required
to pay in 12 payments he would be paying roughly 40%
per annum compounded interest. And if he were required
to pay in 18 payments it would be 32% roughly.



1 don't really feel that(at least I would like to get
2 your reaction to it) that just merely stating the dollar
3 cost is sufficient because one person might say, "Well
4 it's only costing me \$20.00"but if he has to pay it
5 in six months he's paying 80% interest. This is
6 entirely different than if he has to take 12 months or
7 15 months. I think this is the essence of it. We
8 should be trying to find some kind of yardstick, so
9 that the dollar cost can be related to something else.

10 MR. SITZER: Well, I would say that in the
11 case of an amortized loan where you mention this is
12 paid off in six months or twelve months or fifteen
13 months, I would think the effective rate of interest
14 can be determined. However, if the loan runs for
15 six months or twelve months or fifteen months and in
16 that period of time the monthly payments that are
17 required to be made by the borrower are less than
18 sufficient to retire the indebtedness I don't know
19 how you would calculate the rate of interest.

20 MR. IRWIN: Well there is another method
21 which isn't too difficult to deal with -- there is a
22 final payment to be made. But I don't think that is
23 really important. Your programme requires total pay-off
24 in five years, I gather? We are talking about a
25 totally amortized loan over the period of the loan and
26 what I am trying to establish and I am quite sure what
27 the Committee is trying to establish is that merely
28 stating the dollar cost is really not a yardstick. You
29 say a man is 60 inches high, we would have to make a
30

don't really feel that I would like to get
your reaction to it) that just merely stating the de-
cost is sufficient because one person would say, "Well
it's only costing me \$90.00 but if he has to pay it
in six months he's paying 80% interest. This is
entirely different than if he has to take 12 months or
18 months. I think this is the essence of it. We
should be trying to find some kind of yardstick, so
that the dollar cost can be related to something else.
MR. BRYAN: Well, I would say that in the

case of an amortized loan where you mention this as
paid off in six months or twelve months or fifteen
months, I would think the effective rate of interest
can be ascertained. However, if the loan runs for
six months or twelve months or fifteen months and in
that period of time the monthly payments were made
repaid to be made by the borrower the less than
sufficient to return the indebtedness I don't know
how you would ascertain the rate of interest.

MR. BRYAN: Well there is another method
which isn't too difficult to deal with -- there is a
final payment to be made. But I don't think that is
really important. Your mortgage requires total pay-off
in five years, I gather. We are talking about a
totally amortized loan over the period of the loan and
what I am trying to establish and I am quite sure what
the Committee is trying to establish is that merely
stating the dollar cost is really not a yardstick. You



1 conversion to 6 feet and we know what a man 6 feet high
2 is like. If somebody tells us the carrying charges are
3 \$20.00 I think there should be some method of conversion
4 into something that the borrower might recognize, that
5 is, an effective annual rate of interest.

6 MR. SITZER: I agree with you, sir. Insofar
7 as this is expressed in a supplementary statement form,
8 similar to the form that's required under the Mortgage
9 Brokers' Registration Act. In other words, if someone
10 comes in to Household Finance Company, or any other
11 company for that matter, and borrows \$100.00 under the
12 terms that you recited, the total dollar cost is
13 recited as \$20.00 and then that can be converted into
14 a rate of interest -- an effective rate of interest --
15 in the Supplementary Statement of Form. Something
16 that is clear, it's independent of the obligating
17 contract or the chattel mortgage form itself and it's
18 expressed on a document that has only perhaps got six
19 or seven items and they are well spaced and large
20 enough for a borrower to be able to see exactly what he
21 is doing. I agree with that.

22 MR. IRWIN: So, in other words, you made out
23 a good case on page 2 for limiting the declaration or
24 the revelation to the borrower to total dollar cost,
25 you wouldn't object to a supplementary form of inform-
26 ation converting that to an effective rate of interest?

27 MR. SITZER: As a matter of fact, Mr. Irwin,
28 I suggested that, I believe that I have. What I referred
29 to on page 2 and up to I believe page 3, was advertising.

conversation to date and we know what a man of feet high
as like. It somebody tells us the carrying charges are
\$20.00 I think there should be some method of conversation
into something that the borrower might recognize, that
is, an effective annual rate of interest.

MR. STUBBS: I agree with you, sir. Insofar
as this is expressed in a supplementary statement form,
similar to the form that is required under the Mortgage
Brokers' Registration Act. In other words, if someone
comes in to Homehold Finance Company, or any other
company for that matter, and borrows \$100.00 under the
terms that you recited, the total dollar cost is
received as \$20.00 and then that can be converted into
a rate of interest -- an effective rate of interest --
in the Supplementary Statement of Form. Something
that is clear, it is independent of the obligation
contract or the capital mortgage form itself and it is
expressed on a document that has only periods of six
or seven years and they are well spaced and large
enough for a borrower to be able to see exactly what he
is doing. I agree with that.

MR. TWINN: So, in other words, you make out
a good case on page 2 for limiting the declaration on
the revelation to the borrower to total dollar cost.
You wouldn't object to a supplementary form of informa-
tion something that to an effective rate of interest?
MR. STUBBS: As a matter of fact, Mr. Twinn,
I suggested that, I believe that I have. What I re-
suggested that, I believe that I have. What I re-



1 MR. BELANGER: Well, this is the point that
2 I want to say, Mr. Chairman, I don't actually believe
3 that he practices what he preaches because on page 2
4 you say here, "If a uniform method of expressing interest
5 can be established, all advertising reciting interest
6 rate should have the rate expressed in accordance with
7 the terms so established and only the highest rate char
8 charged by the lender should be advertised, so that
9 the borrower is not misled by advertisements reciting
10 low rates." And here on your card, "We, at Lance,
11 secure credit loans. You pay low interest and you
12 use the most practical and economic means of financing."
13 Actually here, you don't actually believe what you are
14 trying to present to this Committee here this morning.

15 MR. SITZER: I believe, if you will permit
16 me to read, "We consider home owners to be a preferred
17 risk. We believe our preferred rates and terms are
18 considerably better than consumer finance company rates."
19 That's the statement in the advertising. And I do
20 believe that the rates that we offer --

21 MR. BELANGER: (Voice inaudible)

22 MR. MACDONALD: The point that I come to in
23 listening to this as a member of the Committee, Mr.
24 Sitzer, is to express total dollar costs without
25 indicating what effective interest rate this means is
26 just as misleading as to express interest rate without
27 all of the other calculations in it.

28 MR. SITZER: I agree with you. I do agree
29 with you, but in the absence of a uniform method of
30



MR. BELMONT: Well, this is the point that

I want to say, Mr. Chairman, I don't actually believe

that he practices what he preaches because on page 2

you say here, "It is a national method of expressing interest

rate should have the rate expressed in accordance with

the terms as established and only the highest rate should

be changed by the lender should be advertised, so that

the borrower is not misled by advertisement resulting

low rates." And here on your card, "We, as lenders,

because credit loans. You pay low interest and you

use the most practical and economic means of financing."

Actually here, you don't actually believe what you are

trying to present to this Committee here this morning.

MR. BELMONT: I believe, if you will permit

me to read, "We consider home loans to be a preferred

risk. We believe our preferred rates and terms are

considerably better than consumer finance company rates."

That's the statement in the advertisement. And I do

believe that the rates that we offer --

MR. BELMONT: (Voice inaudible)

MR. MAGNAN: The point that I come to in

listening to him as a member of the Committee, Mr.

Sitten, is to express total dollar costs without

indicating what effective interest rate this means in

that as misleading as to express interest rate without

all of the other calculations in it.

MR. BELMONT: I agree with you, I do agree

with you in the absence of a uniform method of



1 expressing this --

2 MR. MACDONALD: Well, I think the job of this
3 Committee is we have got to come up with a uniform
4 method, otherwise you are left in the position where
5 you can mislead even though you preach otherwise.
6 Because you say it is 14%, now you concede under
7 questioning that it's 17%, others argue that it's 19 or
8 20%.

9 MR. SITZER: I'm sorry. I didn't mean to
10 mislead you in saying that it was 14%. Our method of
11 calculating indicates that it is 13.75%.

12 MR. MACDONALD: The thing you argue, it's
13 amortized. Sure, it's 14%. But from the point of view
14 of the Board sure, it's amortized, therefore it's 17%,
15 not 14%.

16 MR. SITZER: That is on the basis, Mr.
17 MacDonald, that the payments will be made in exact
18 compliance with the contract which he signs, which I
19 can assure you is very seldom done. I would say that if
20 you were to take any loan and work it out for the period
21 of time, taking into account the payments made on the
22 dates that they are made and so on, that the effective
23 rate of interest that you would get on any loan would
24 be, I would say, something substantially less than 17%
25 recited in the tables.

26 MR. WHITE: How do you charge a penalty?

27 MR. SITZER: We never charge penalties

28 MR. WHITE: If the fellow is three months
29 late, you don't?

30



MR. MACDONALD: Well, I think the job of this

Committee is we have got to come up with a uniform method, otherwise you are left in the position where you can mislead even though you preach otherwise. Because you say it is 14%, now you concede under questioning that it's 17%, others argue that it's 19 or 20%.

MR. SILVER: I'm sorry. I didn't mean to mislead you in saying that it was 14%. Our method of calculating indicates that it is 13.75%.

MR. MACDONALD: The thing you argue, this amortized. Sure, it's 14%. But from the point of view of the Board here, it's amortized, therefore it's 14%, not 13.75%.

MR. SILVER: That is on the basis, Mr.

Macdonald, that the payments will be made in exact compliance with the contract which he signs, which I can assure you is very seldom done. I would say that if you were to take any loan and work it out for the period of time, taking into account the payments made on the dates that they are made and so on, that the effective rate of interest that you would get on any loan would be, I would say, something substantially less than 14% as recited in the tables.

MR. WHITE: How do you answer a remedy?

MR. SILVER: We never charge penalties

MR. WHITE: Is the fellow in there honest?

What's your point?



1 MR. SITZER: Never charge a penalty.

2 MR. IRWIN: So I suppose in some cases the
3 effective rate is 3% per year?

4 MR. SITZER: No. We don't charge any
5 penalties, but we don't find people being in arrears
6 for a year or for an indefinite period of time, extend
7 the contract on for ten years just because he is not
8 making payments.

9 MR. IRWIN: Do you make a practice of asking
10 a borrower to submit post-dated cheques for any period
11 of time?

12 MR. SITZER: No, we don't. We have in
13 certain instances, at the borrower's request, prepared
14 cheques for them, but I would say that that applies
15 to an insignificant number of instances.

16 MR. IRWIN: What action would you take --
17 supposing I was obligated to pay you \$37.06 on the
18 15th of August, the 15th of every month and it didn't
19 arrive in your office by the 18th, what action would
20 you take?

21 MR. SITZER: None at all.

22 MR. IRWIN: You wouldn't take any?

23 MR. SITZER: None at all.

24 MR. IRWIN: Are you sure?

25 MR. SITZER: None at all.

26 MR. IRWIN: Well then, on what date would
27 you take action against me. Now, wait a minute, I
28 should clarify that. By action I don't mean legal
29 action, I mean a telephone call or letter or reminder.
30

MR. SUTHER: Never charge a penalty.

MR. IRWIN: So I suppose in some cases the

effective rate is 3% per year?

MR. SUTHER: No. We don't charge any

penalties, but we don't find people being in arrears for a year or for an indefinite period of time, except the contract on for ten years just because he is not

MR. IRWIN: Do you make a practice of asking

a borrower to submit post-dated checks for any period

of time?

MR. SUTHER: No, we don't. We have in

certain instances, at the borrower's request, prepared

checks for them, but I would say that that applies

to an insignificant number of instances.

MR. IRWIN: What action would you take --

supposing I was obligated to pay you \$37.00 on the

15th of August, the 15th of every month and it didn't

arrive in your office by the 15th, what action would

you take?

MR. SUTHER: None at all.

MR. IRWIN: You wouldn't take any?

MR. SUTHER: None at all.

MR. IRWIN: Are you sure?

MR. SUTHER: None at all.

MR. IRWIN: Well then, on what case would

you take action against me. Now, wait a minute, I

should clarify that. By action I don't mean legal

action, I mean a telephone call or letter or reminder.



1 MR. SITZER: Not even a telephone call or
2 a letter or any kind of reminder.

3 MR. IRWIN: Until when?

4 MR. SITZER: Until your next payment fell
5 due. It would be another month.

6 MR. IRWIN: Supposing I failed to pay then,
7 after you had reminded me. What would you do then?

8 MR. SITZER: We would write to you, we would
9 speak to you, we would ask you what your problem seems
10 to be. We carry accounts that, through one reason or
11 another have found themselves in difficulty, and are
12 unable to make their payments through some exigency
13 that arose in an interim period and they don't make
14 the payment or miss the next two payments and it will
15 carry on at the end. At the end of the five year
16 period he will owe two or three or five payments,
17 depending on the number of payments that he's missed.

18 MR. IRWIN: On the basis of 100, of your
19 clients, how many would miss these monthly payment
20 dates by more than five days?

21 MR. SITZER: I would say that half.

22 MR. SEDGWICK: Do you charge interest on
23 the interest?

24 MR. SITZER: No, we do not. We provide the
25 borrower with a schedule which we order from Boston --
26 I don't know if this Committee has seen such an
27 amortized sheet -- reciting the breakdown of each
28 payment as to principal and interest and the resulting
29 balance. We provide each borrower with such a statement
30



MR. SUTHER: Not even a telephone call or
a letter of any kind of reminder.
MR. SUTHER: Until your next payment fall
MR. TAYLOR: Supposing I failed to pay them,
after you had reminded me. What would you do then?
MR. SUTHER: We would write to you, we would
speak to you, we would ask you what your problem seems
to be. We carry accounts that, through one reason or
another have found themselves in difficulty, and are
unable to make their payments through some extenuating
circumstances in an interim period and they don't make
the payment on time the next two payments and it will
carry on at the end. At the end of the five year
period he will owe two or three or five payments,
depending on the number of payments that he's missed.
MR. TAYLOR: On the basis of 100, if your
clients, how many would miss these monthly payments
initially more than five days?
MR. SUTHER: I would say that half.
MR. SUTHER: Do you charge interest on
the arrears?
MR. SUTHER: No, we do not. We provide the
borrower with a schedule which we order from Boston --
I don't know if this Committee has seen such an
arranged sheet -- setting the procedure of making
payment as to principal and interest and the resulting
balance. We provide such borrower with such a statement



1 and the borrower has a complete knowledge for the life
2 of his loan exactly what interest he is paying, what
3 principal portion of the payment he has made and what
4 the resulting balance is and there isn't any -- we
5 go by the same thing and this interest on interest
6 amounts to pennies. It may reflect in interest in
7 altering the yield, but the calculation and the time
8 spent in calculation to determine what the difference
9 would be would cost us more in time and bother than it
10 would be to forget about it entirely and that's
11 exactly what we do. We never charge interest on interest.

12 MR. BUKATOR: May I pursue my line of thought
13 here. If I walk into your office and borrow \$3,000,
14 what must I provide you with to get this money? Legal
15 fees and disbursements and inspection of my property?

16 MR. SITZER: There is no inspection charge.

17 MR. BUKATOR: You do all of this at your
18 own expense? How about legal fees?

19 MR. SITZER: There is a nominal legal fee
20 which is made, which averages \$65.00, and that includes
21 the disbursements. The only charge that's made. There
22 is no brokerage fee or service charge or anything.

23 MR. BUKATOR: In other words I would get
24 my \$3,000 less \$65.00?

25 MR. SITZER: Right, you would receive from
26 us, if you came in with \$65.00 and said, "Your charge
27 is \$65.00" and you paid us the \$65.00 then you would
28 get \$3,000.00. If, on the other hand you didn't have
29 the \$65.00 or you said, "Just take it off the \$3,000
30



and the borrower has a complete knowledge for the life
 of his loan exactly what interest he is paying, what
 the resulting balance is and there isn't any - we
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 altering the yield, but the calculation and the time
 spent in calculation to determine what the difference
 would be would cost us more in time and bother than it
 would be to forget about it entirely and that's

exactly what we do. We never charge interest on interest
 MR. BURATON: May I pursue my line of thought

here. If I walk into your office and borrow \$3,000,
 what must I provide you with to get this money? Legal
 fees and disbursements and inspection of my property?

MR. STEINER: There is no inspection charge.

MR. BURATON: You do all of this at your

own expense? How about legal fees?

MR. STEINER: There is a nominal legal fee

which is made, which averages \$65.00, and that includes

the disbursements. The only charge that's made. There

is no brokerage fee or service charge or anything.

MR. BURATON: In other words I would get

my \$3,000 less \$65.00?

MR. STEINER: Right, you would receive from

us, if you came in with \$3,000 and said, "Your charge

is \$65.00" and you paid us the \$65.00 then you would

get \$3,000.00. If, on the other hand you didn't have

the \$65.00 or you said, "Just take it off



1 I will be receiving", you would then receive \$2,935.

2 MR. BUKATOR: Why do you say there is no
3 inspection fee? You must be satisfied, is that it?

4 MR. SITZER: Well, we inspect the property,
5 but we don't make a charge for it.

6 MR. SEDGWICK: May I pursue that further?
7 You take a mortgage?

8 MR. SITZER: Yes, we do.

9 MR. SEDGWICK: If the loan is \$3,000 you
10 take a mortgage for how much?

11 MR. SITZER: The mortgage that we draw up
12 is for \$3,750.00.

13 MR. SEDGWICK: So that you add a bonus?

14 MR. SITZER: Correct.

15 MR. SEDGWICK: Then the rate of interest
16 expressed in the mortgage is how much?

17 MR. SITZER: 7%.

18 MR. SEDGWICK: 7% on \$3,750.00?

19 MR. SITZER: Right.

20 MR. SEDGWICK: So what the borrower gets
21 is not \$3,750, but \$3,000. The mortgage is for
22 \$3,750.00 and the borrower actually gets \$2,935.00,
23 is that right?

24 MR. SITZER: Yes.

25 MR. SEDGWICK: Then when one come to look
26 at your advertisement, the amortized figure will not
27 be \$3,000, but \$3,750; is that correct?

28 MR. SITZER: No. The amortization figure
29 of \$3,750 at 7% is, looking at your table, \$3,000 is
30

"I will be paying it", you would then receive \$1,000.
MR. BOKATOR: Why do you say there is no
MR. STERN: Well, we haven't the property,
but we don't make a charge for it.
MR. BOKATOR: May I suppose that for them?
You take a mortgage?
MR. STERN: Yes, we do.
MR. BOKATOR: If the loan is \$3,000 you
take a mortgage for how much?
MR. STERN: The mortgage that we draw up
is for \$3,750.
MR. BOKATOR: So that you add a penny?
MR. STERN: Correct.
MR. BOKATOR: Then the rate of interest
expressed in the mortgage is how much?
MR. STERN: 7%.
MR. BOKATOR: Yes on \$3,750.
MR. STERN: Right.
MR. BOKATOR: So what the borrower gets
is not \$3,750, but \$3,000. The mortgage is for
\$3,750 and the borrower actually gets \$3,000.
Is that right?
MR. STERN: Yes.
MR. BOKATOR: Then when one comes to look
at your advertisement, the amortized figure will not
be \$3,000, but \$3,750; is that correct?
MR. STERN: Yes, the amortized figure
of \$3,750 is the figure, looking at your table, \$3,000 is



1 \$74.10.

2 MR. SEDGWICK: I see. But the mortgage
3 is for \$3,750?

4 MR. SITZER: Yes, that's right.

5 MR. SEDGWICK: And it is an open mortgage?

6 MR. SITZER: It is.

7 MR. SEDGWICK: And if, after two or three
8 years, the borrower wants to pay it off, what does he
9 pay?

10 MR. SITZER: He pays the balance that is
11 then outstanding.

12 MR. SEDGWICK: But he is obligated to pay
13 the \$3,750; isn't he?

14 MR. SITZER: Correct.

15 MR. SEDGWICK: That's his legal obligation?

16 MR. SITZER: That is correct.

17 MR. SEDGWICK: Yes... And you can force that
18 obligation?

19 MR. SITZER: Yes, we can.

20 MR. SEDGWICK: Is there anything in the
21 document that says that he is entitled to discharge
22 the mortgage by paying less?

23 MR. SITZER: Nothing at all.

24 MR. SEDGWICK: No. So that at the end of
25 a year or two years, if he wants to discharge the
26 mortgage he can be legally (voice inaudible)

27 MR. SITZER: That is true.

28 MR. SEDGWICK: Yes. Does this happen on
29 occasion?
30

MR. SHAW: I see. But the mortgage

is for \$3,750?

MR. SHAW: And it is an open mortgage?

MR. SHAW: Is it?

MR. SHAW: And if, after two or three

years, the borrower wants to pay it off, what does he
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MR. SHAW: But he is obligated to pay

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MR. SHAW: Correct.

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MR. SHAW: That is correct.

MR. SHAW: Yes, and you can force him

MR. SHAW: Yes, we can.

MR. SHAW: Is there anything in the

document that says that he is entitled to discharge

the mortgage by paying less?

MR. SHAW: Nothing at all.

MR. SHAW: Not so long as the end of

a year or two years, he wants to discharge the

mortgage he can be legally (voice inaudible)

MR. SHAW: That is true.

MR. SHAW: Yes, does this happen on



1 MR. SITZER: On occasion it does, very
2 seldom I would say, but on occasion it does.

3 MR. SEDGWICK: How often is seldom?

4 MR. SITZER: I would say that perhaps less
5 than 5% of the time. It is difficult to say, but I
6 would say less than that.

7 MR. SEDGWICK: When we talk about an effective
8 rate of 17%, in a case where the mortgage is cleared
9 up in two years, the effective rate would be closer
10 to 40% wouldn't it?

11 MR. SITZER: I don't know about that, but
12 it would certainly be higher than 17%.

13 MR. SEDGWICK: Do you make any reference
14 in any of your advertisements to the fact that the
15 mortgage will be a bonus mortgage?

16 MR. SITZER: None at all.

17 MR. SEDGWICK: Do you explain that to them
18 when they come in?

19 MR. SITZER: Yes, I do. They are provided
20 with a Statement of Mortgage form which clearly
21 expresses the fact that there is a bonus, the amount
22 of the bonus and the monthly payment, the fact that
23 it's completely retired in full.

24 MR. SEDGWICK: And is the bonus fixed with
25 reference to the amount advanced?

26 MR. SITZER: The bonus is always 5% per year.

27 MR. SEDGWICK: I see. The bonus is 25%,
28 is that right?

29 MR. SITZER: Right, on five year term, which
30

MR. STIER: On occasion it does, very

seldom I would say, but on occasion it does.

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MR. STIER: Yes, I do. They are provided

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expresses the fact that there is a bonus, the amount

of the bonus and the monthly payment, the fact that

it's completely retired in full.

MR. SHEDWICK: And is the bonus fixed with

MR. STIER: The bonus is always 25% per year.

MR. SHEDWICK: I see. The bonus is 25%,

is that right?

MR. STIER: Right, on five year loans.



1 is the basis, the term, on which we make our loans.

2 MR. SEDGWICK: So if there is a \$5,000
3 mortgage there would be a -- about \$150.00 bonus,
4 is that right?

5 MR. SITZER: Exactly.

6 MR. SEDGWICK: Yes, on a five year mortgage.
7 That, of course, is the amount that they are obligated
8 to pay.

9 MR. SITZER: Right.

10 MR. SEDGWICK: Yes. Do you lend any monies
11 other than by way of a bonus charge?

12 MR. SITZER: Very seldom. There are times
13 in business loans that we make for the purpose of
14 business.

15 MR. SEDGWICK: I am thinking rather of the
16 people to whom these advertisements go and they are
17 all bonus mortgages, are they?

18 MR. SITZER: That's right. That's correct.

19 MR. SEDGWICK: And I understood you to say
20 that you charge the same rates whether it's a first
21 or second or a third mortgage; is that right?

22 MR. SITZER: That's true.

23 MR. SEDGWICK: So that if you take a first
24 mortgage and applying the bonus, they would be paying
25 17%; is that right? Effective rate?

26 MR. SITZER: That's true.

27 MR. SEDGWICK: And being an open mortgage,
28 if it is paid off much sooner, it will be much more
29 than 17%; do you agree on that?

30



MR. SADDLETON: So if there is a \$5,000

mortgage there would be a -- about \$150.00 bonus.

Is that right?

MR. SITTEN: Exactly.

MR. SADDLETON: Yes, on a five year mortgage.

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to pay.

MR. SITTEN: Yes.

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MR. SITTEN: That's right.

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mortgage and applying the bonus, they would be paying

less; is that right? Effective rates?

MR. SITTEN: That's right.

MR. SADDLETON: And being an open mortgage,

if it is paid off much sooner, it will be much more

than that; do you agree on that?



1 MR. SITZER: Yes.

2 MR. SEDGWICK: That would apply to first
3 mortgages when you take them?

4 MR. SITZER: Yes.

5 MR. SEDGWICK: Do you think it fair to say,
6 in the light of that, --I'm reading now from your
7 third advertisement -- "We are offering for the first
8 time a new financial service available only to home
9 owners, because we consider home owners to be a
10 preferred risk and we believe our preferred risk terms
11 are considerably better than consumer finance company
12 rates".

13 MR. SITZER: I state that they are
14 considerably better than consumer finance company
15 rates and that is a fact and people that come to us to
16 borrow, might, in the alternative, find themselves
17 dealing with a consumer finance company and their rate,
18 if they owned this very building that we are sitting
19 in, free and clear of encumbrances, would find them-
20 selves paying 24%.

21 MR. SEDGWICK: You aren't a practising
22 lawyer, are you, Mr. Sitzer?

23 MR. SITZER: No, I am not, Mr. Sedgwick.

24 MR. SEDGWICK: Are you still a member of
25 the Law Society?

26 MR. SITZER: Yes, I am a member of the Law
27 Society and I pay my bar fees and the compensation
28 -- but I haven't taken up my practising certificate for
29 the past two years.
30



MR. SEDGWICK: That would apply to final

mortgages when you take them?

MR. STERN: Yes.

MR. SEDGWICK: Do you think it fair to say,

in the light of that, -- I'm reading now from your

third advertisement -- "We are offering for the first

time a new financial service available only to home

owners, because we consider home owners to be a

preferred risk and we believe our preferred risk terms

are considerably better than consumer finance company

rates".

MR. STERN: I state that they are

considerably better than consumer finance company

rates and that is a fact and people that come to us to

borrow, might, in the alternative, find themselves

dealing with a consumer finance company and their rates,

if they owned this very building that we are sitting

in, free and clear of encumbrances, would find them-

selves paying 10%.

MR. SEDGWICK: Now, Mr. Stern, I am not a

lawyer, are you, Mr. Stern?

MR. STERN: No, I am not, Mr. Sedgwick.

MR. SEDGWICK: Are you still a member of

the Law Society?

MR. STERN: Yes, I am a member of the Law

Society and I pay my bar fees and the corporation

--- the 2 years in terms of the Law Society and the

and the Law Society.



1 MR. SEDGWICK: Then your sole business is
2 operating this finance company?

3 MR. SITZER: That's true.

4 MR. SEDGWICK: Do you have more than one?

5 MR. SITZER: No.

6 MR. SEDGWICK: Did you at one time have
7 one called Concord Securities Limited?

8 MR. SITZER: I, at one time, was a shareholder
9 of a number of shareholders in Concord Securities
10 Limited. That was a mortgage brokerage company that
11 hasn't done business now for the last, I would say,
12 two and a half years or so.

13 MR. SEDGWICK: Do you have an interest in
14 another one called Consolidated Investments Limited?

15 MR. SITZER: Consolidated -- no, not
16 Consolidated Investments Limited.

17 MR. SEDGWICK: Consolidated -- what was the
18 name -- Consolidated something.

19 MR. SITZER: Consolidated Investment Company.

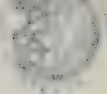
20 MR. SEDGWICK: Is this in operation?

21 MR. SITZER: Yes. Consolidated Investment
22 Company and Lance Realty Finance Limited are, in effect,
23 the same company. They are separate companies but
24 they are, in effect, the same.

25 MR. SEDGWICK: (Voice inaudible)

26 MR. SITZER: There is no advertising.
27 Consolidated Investment Company is a holding company.

28 MR. SEDGWICK: You said you didn't -- in
29 reply to a question of Mr. Price's -- I think you said
30



MR. SHERMAN: Did you at one time have

MR. SHERMAN: I, at one time, was a shareholder

of a number of shareholders in General Securities

limited. That was a mortgage mortgage company that

hasn't done business now for the last, I would say,

two and a half years or so.

MR. SHERMAN: Do you have an interest in

another one called Consolidated Investments Limited?

MR. SHERMAN: Consolidated -- no, not

Consolidated Investments Limited.

MR. SHERMAN: Consolidated -- when was the

name -- Consolidated something.

MR. SHERMAN: Is this in operation?

MR. SHERMAN: Yes. Consolidated Investment

Company and Lance Realty Finance Limited are, in effect,

the same company. They are separate companies but

they are, in effect, the same.

MR. SHERMAN: (Voice heard) Yes.

MR. SHERMAN: There is no advantage.

Consolidated Investment Company is a public company.

MR. SHERMAN: Yes.

Yes to a question of Mr. Price's -- I think you said



1 you didn't advertise in the newspapers. You have
2 advertised in the press, have you not?

3 MR. SITZER: We have run one small
4 advertisement in the Globe and Mail. That advertisement
5 had run for a period of about a month, a month and a
6 half.

7 MR. SEDGWICK: Looking at what I am told is
8 a copy of an advertisement you ran, and it contains a
9 similar statement, "With a Lance preferred loan you
10 pay lower interest and you use the most practical and
11 economic means (voice inaudible) -- that is compared
12 to other finance companies, I take it. Isn't that
13 in comparison with what other mortgage companies
14 charge?

15 MR. SITZER: I hate to tell you, Mr.
16 Sedgwick, I am not really familiar with that advertise-
17 ment, however, the advertising that we do in the
18 papers -- there is one small ad which has been -- it's
19 been ordered to be discontinued. It isn't doing
20 anything for us. We are cancelling the ad but if it
21 says that, that's true.

22 MR. SEDGWICK: Did Concord Securities
23 Limited, when it was in business, advertise from time
24 to time in the local press, particularly in the Star?

25 MR. SITZER: Yes it did. It advertised
26 extensively.

27 MR. SEDGWICK: And did Concord, in its
28 advertisements, at any time, tell prospective borrowers
29 that there would be a bonus on top of the principal?
30

You didn't advertise in the newspapers. You have
advertised in the press, have you not?

MR. STEWART: We have run one small

advertisement in the Globe and Mail. That advertisement
had run for a period of about a month, a month and a
half.

MR. STEWART: Looking at what I am told is

a copy of an advertisement you ran, and it contains a
similar statement, "with a lance preferred from you
pay lower interest and you use the most practical and
economic means (voice inaudible) -- that is compared
to other finance companies, I take it. Isn't that
in comparison with what other mortgage companies
charge?

MR. STEWART: I have to tell you, Mr.

Stewart, I am not really familiar with that advertise-
ment, however, the statement that we do in the
papers -- there is one small ad which has been -- it is
been ordered to be discontinued. It isn't doing
anything for us. We are cancelling the ad but if it
says that, that's true.

MR. STEWART: Did Concord Securities

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to time in the local press, particularly in the Globe?
MR. STEWART: Yes to and. It advertised

extensively.

And did Concord, in its

advertisements, at any time, tell prospective borrowers
that there would be a bonus on top of the principal?



1 MR. SITZER: In its advertisements?

2 MR. SEDGWICK: Yes?

3 MR. SITZER: No.

4 MR. SEDGWICK: Are you familiar with the
5 transaction that Concord had with a Mr. Clary of
6 Oshawa?

7 MR. SITZER: Not especially.

8 MR. SEDGWICK: I beg your pardon?

9 MR. SITZER: Not particularly, I don't recall
10 that. How long ago was that transaction?

11 MR. SEDGWICK: 1958. A transaction with
12 Concord.

13 MR. SITZER: I might say, as I did earlier,
14 I was associated with Concord Securities, which was
15 a mortgage brokerage firm. The capital that Concord
16 Securities had was not its own but it dealt in the
17 buying and selling and arranging of mortgages and I
18 was one of a number of people that had an interest in
19 that particular company.

20 MR. WHITE: What was your interest,
21 approximately?

22 MR. SITZER: My percentage interest?
23 I think it was 20%, there were five principals.

24 MR. SEDGWICK: Were the others members of
25 your legal firm?

26 MR. SITZER: Two were.

27 MR. SEDGWICK: They had 20% also?

28 MR. SITZER: Well, I think that together
29 we had approximately 50%.

30

MR. SITTER: In its advertisement?

MR. SMOGWIN: Yes?

MR. SITTER: No.

MR. SMOGWIN: Are you familiar with the

transaction that Concord had with a Mr. Olney of

MR. SITTER: Not especially.

MR. SMOGWIN: I beg your pardon?

MR. SITTER: Not particularly, I don't recall

that. How long ago was that transaction?

MR. SMOGWIN: 1938. A transaction with

MR. SITTER: I might say, as I did earlier,

I was associated with Concord Securities, which was

a mortgage brokerage firm. The capital that Concord

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was one of a number of people that had an interest in

MR. WITTE: What was your interest?

Approximately?

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I think it was 20%, there were five principals.

MR. SMOGWIN: Were the others members of

Your legal firm?

MR. SITTER: Two were.

MR. SMOGWIN: They had 20% each?

MR. SITTER: Well, I think that together



1 MR. SEDGWICK: Your legal firm?

2 MR. SITZER: Yes.

3 MR. SEDGWICK: So you had effective control
4 of the thing.

5 MR. SITZER: I wouldn't say that we had
6 effective control. I think effective control is
7 determined by the directorship of a company.

8 MR. SEDGWICK: If your firm had 50% of
9 the stock, would you have the power to elect the
10 Board of Directors?

11 MR. SITZER: No. Not power to elect the
12 majority of the Board, only an equal number.

13 MR. SEDGWICK: What was your position with
14 Concord?

15 MR. SITZER: I believe that I was the
16 Secretary.

17 MR. SEDGWICK: Who was the President?

18 MR. SITZER: I can't say that I really
19 recall who the President of the company was. I think
20 that I was the Secretary. I know that I wasn't the
21 President.

22 MR. SEDGWICK: Was your partner
23 the President?

24 MR. SITZER: I don't think so.

25 MR. SEDGWICK: In connection with the
26 Clary matter, what is your comments on it. I am
27 informed that the mortgage, the advance at least, was
28 \$3,500 but the mortgage was for \$4,968 at 7%. Does that
29 bring it back to your memory?

30



of the thing.

MR. STEINER: I wouldn't say that we had effective control. I think effective control is determined by the directorship of a company.

MR. STEINER: If your firm had 50% of the stock, would you have the power to elect the Board of Directors?

MR. STEINER: No. Not power to elect the majority of the Board, only an equal number.

MR. STEINER: What was your position with

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MR. STEINER: I don't think so.

MR. STEINER: In connection with the

clearly matter, what are your comments on it. I am

informed that the question of control was

the question of control was

the question of control was



1 MR. SITZER: No, it wouldn't. The fact
2 that you mentioned Oshawa, Mr. Sedgwick, would have
3 some bearing on it because it would be an out of town
4 mortgage and any arrangements made with regard to
5 out of town mortgages certainly would have commanded
6 a higher charge, than a mortgage that would have been
7 arranged in the City. However, I would like to state
8 though that this is something that happened five
9 years ago. It was with regard to a mortgage brokerage
10 company with which I was associated, as a minority
11 shareholder. And the company is no longer in business.

12 MR. SEDGWICK: Well, I thought that it
13 might have something to do with your (voice inaudible)

14 MR. SITZER: Not at all.

15 MR. SEDGWICK: At that time Concord was
16 controlled by Mr. Igor Kaplan (voice inaudible)

17 MR. SITZER: Well, there was a Mr. Wiess
18 that was involved in the company as well.

19 MR. SEDGWICK: How much did he own?

20 MR. SITZER: He would have owned, well, I
21 would say probably 25% and there was --

22 MR. SEDGWICK: Was there a Mr. Mark
23 associated with the company?

24 MR. SITZER: Mr. Mark?

25 MR. SEDGWICK: Yes.

26 MR. SITZER: No.

27 MR. SEDGWICK: Do you recall the name of
28 Mr. Mark appearing in the advertisements that were put
29 out by the company?
30



MR. TITMUS: No, it wouldn't. The fact

that you mentioned Sahaw, Mr. Sedgwick, would have
some bearing on it because it would be an out of town
mortgage and any arrangements made with regard to
out of town mortgages certainly would have commanded
a higher charge, than a mortgage that would have been
arranged in the City. However, I would like to state
though that this is something that happened five
years ago. It was with regard to a mortgage brokerage
company with which I was associated, as a minority
shareholder. And the company is no longer in business.
I don't know what it is now.

might have something to do with your (voice inaudible)
MR. TITMUS: Not at all.

MR. SEDGWICK: At that time Concord was

controlled by Mr. Igor Kaphan (voice inaudible)

MR. TITMUS: Well, there was a Mr. Wilson

that was involved in the company as well.

MR. SEDGWICK: How much did he own?

MR. TITMUS: He would have owned, well, I

would say probably 25% and there was --

MR. SEDGWICK: Was there a Mr. Wilson

associated with the company?

MR. TITMUS: Mr. Wilson

MR. SEDGWICK: Yes.

MR. TITMUS: Yes.

MR. SEDGWICK: Do you recall the name of

Mr. Mark appearing in the advertisements that were put
out by the company?



1 MR. SITZER: Yes.

2 MR. SEDGWICK: Who was Mr. Mark?

3 MR. SITZER: The name of Mr. Mark would
4 have been advertised in newspaper advertisements so
5 as to identify the source of the call.

6 MR. SEDGWICK: Oh, it was (voice inaudible)

7 MR. SITZER: True.

8 MR. SEDGWICK: Do you know a Mr. Brain
9 who was at one time connected with the company?

10 MR. SITZER: There was no Mr. Brain.

11 MR. SEDGWICK: No Mr. Brain. Did you use
12 the name Mr. Brain in advertisements? See Mr. Brain?

13 MR. SITZER: Yes, that is so. That was
14 to determine the source of the call, to determine
15 where the calls were coming from and what basis of
16 advertising was doing the best job for us.

17 MR. SEDGWICK: Mr. Brain was a fictitious
18 person, is that right?

19 MR. SITZER: That's true.

20 MR. WHITE: On that point, sir, in fairness
21 to the witness, I don't think this is uncommon. I am
22 thinking now of a great western Ontario newspaper which
23 gives fictitious names to its girls to compartmentalize
24 its want-ads.

25 MR. LETHERBY: What great western head was
26 this? I'll give you one guess. (Laughter)

27 MR. SEDGWICK: Do I understand you to day,
28 Mr. Sitzer, that your present company, Lance Realty,
29 holds all its mortgages?
30

MR. SKEWICK: Yes

MR. SKEWICK: Who was Mr. Brain?

MR. SKEWICK: The name of Mr. Brain would

have been advertised in newspaper advertisements so

as to identify the source of the call.

MR. SKEWICK: Oh, it was (voice inaudible)

MR. SKEWICK: Yes

MR. SKEWICK: Do you know a Mr. Brain

who was at one time connected with the company?

MR. SKEWICK: There was no Mr. Brain.

MR. SKEWICK: No Mr. Brain. Did you see

the name Mr. Brain in advertisements? See Mr. Brain?

MR. SKEWICK: Yes, that is so. There was

to determine the source of the call, to determine

where the calls were coming from and what kind of

advertising was being done for us.

MR. SKEWICK: Mr. Brain was a fictitious

person, is that right?

MR. SKEWICK: Yes

MR. WILSON: On that point, sir, in fairness

to the witness, I don't think this is uncommon. I am

thinking now of a great western Ontario newspaper which

gives fictitious names to its girls to compartmentalize

the work-ads.

MR. DETMERS: What great western paper was

this? I'll give you one guess. (laughter)

MR. SKEWICK: Do I understand you to say,

that the great western paper is the Star?

gives all its work-ads?



1 MR. SITZER: Every one of them.

2 MR. SEDGWICK: Every one. That is, you
3 don't assign them?

4 MR. SITZER: Not one.

5 MR. SEDGWICK: So you aren't really acting
6 as mortgage brokers?

7 MR. SITZER: Not at all. With regard to
8 Concord Securities, that was a matter over which I
9 had no control. I wasn't the only shareholder. It
10 was a brokerage concern and I didn't have control
11 with regard to policy or method of business or the
12 operation of the business. With regard to Lance
13 Realty Finance Limited this is not the case.

14 MR. SEDGWICK: You do control that?

15 MR. SITZER: I do. I control Lance
16 Realty Finance Limited and the method and basis of
17 operation and the administration of the business is
18 entirely within my own scope.

19 MR. SEDGWICK: You said that a legal fee
20 was charged. That is the only fee?

21 MR. SITZER: That is the only fee.

22 MR. SEDGWICK: Who does the legal work?

23 MR. SITZER: My brother.

24 MR. SEDGWICK: That's a member of your
25 legal firm?

26 MR. SITZER: Not a member of any legal firm.

27 MR. SEDGWICK: Oh, I was looking at your
28 letterhead -- you appear to be

29 MR. SITZER: No.
30



MR. STEINER: Every one of them.

MR. SHAW: Every one. That is, you

don't assign them?

MR. STEINER: Not one.

MR. SHAW: So you aren't really acting

as mortgage brokers?

MR. STEINER: Not at all. With regard to

General Securities, that was a matter over which I

had no control. I wasn't the only shareholder. It

was a brokerage concern and I didn't have control

with regard to policy or method of business or the

operation of the business. With regard to Lane

Realty Finance Limited this is not the case.

MR. SHAW: You do control that?

MR. STEINER: I do. I control Lane

Realty Finance Limited and the method and basis of

operation and the administration of the business is

entirely within my own scope.

MR. SHAW: You said that a legal fee

was charged. That is the only fee?

MR. STEINER: That is the only fee.

MR. SHAW: Who does the legal work?

MR. STEINER: My brother.

MR. SHAW: That's a member of your

legal firm?

MR. STEINER: Not a member of any legal firm.

MR. SHAW: Oh. I was looking at your

letterhead -- you appear to be

MR. STEINER



1 MR. SEDGWICK: Your name appears on the
2 letterhead of a legal firm, does it not?

3 MR. SITZER: No, it does not

4 MR. SEDGWICK: I see.

5 MR. LAWRENCE: Before you leave Concord,
6 Mr. Sedgwick. As you know, Mr. Sedgwick, I have had
7 some business dealings with Concord on the other side.
8 Is Concord still not in business?

9 MR. SITZER: NO. It doesn't do any
10 business at all.

11 MR. LAWRENCE: Does it still hold mortgages?

12 MR. SITZER: No. All the mortgages that
13 Concord held have been transferred over to Myad
14 Investments and Elmore Investments. But Victorian
15 Gray had records to Concord Securities to arrange
16 these mortgages so they have always referred to them
17 as Concord Securities.

18 MR. SEDGWICK: Mr. Sitzer, did you, in
19 your advertising at one time, carry the statement
20 that your mortgages did not have the bonus feature?
21 Wasn't there a statement in some of your advertising
22 saying No Bonus?

23 MR. SITZER: In Lance Realty Finance?

24 MR. SEDGWICK: Well, I think in Concord.

25 MR. SITZER: I wouldn't be prepared to say
26 with regard to Concord because I didn't control
27 advertising entirely with regard to Concord and whether
28 that is so or not I can't say. Sometimes -- I wouldn't
29 know. I can certainly state that that is not the case
30

NAME: _____

Does it need any further explanation?

MR. LAWRENCE: Before you leave General,

...at all.



1 with regard to Lance Realty Finance.

2 MR. SEDGWICK: How long has Lance Realty
3 Finance been in business?

4 MR. SITZER: About a year and a half.

5 MR. SEDGWICK: I see in an advertisement
6 that you ran this year in the Globe, you said that
7 Lance Realty Finance is an all Canadian company, with
8 a reputation for service, integrity and fair policy.
9 Your reputation is based on your operation of a year
10 and a half; is that right?

11 MR. SITZER: That's correct. I would like
12 to state -- ~~Excuse me~~ for one moment -- that in the
13 year and a half that we have been in business I have
14 never received one complaint with regard to any trans-
15 action which we had in that period of time.

16 MR. IRWIN: Could I ask this question? Did
17 I understand rightly that you always charge a bonus?

18 MR. SITZER: I would say that that would be
19 correct 99% of the time.

20 MR. IRWIN: Well, on your schedule -- I'm
21 just trying to get this clear -- examples of loans,
22 \$5,000, this is what the borrower undertakes to repay?

23 MR. SITZER: No. That is the amount which
24 he receives, he may borrow, that's the amount which he
25 receives.

26 MR. IRWIN: Okay. Let's try that now.
27 Supposing this is the face value, then why actually
28 only get \$3,750?

29 MR. SITZER: If this was the face value of
30

with regard to Larnoe Realty Finance.

MR. SKEWICK: How long has Larnoe Realty

Finance been in business?

MR. SKEWICK: About a year and a half.

MR. SKEWICK: I see in an advertisement

that you ran this year in the Globe, you said that

Larnoe Realty Finance is an all Canadian company, with

a reputation for service, integrity and fair policy.

Your reputation is based on your operation of a year

and a half, is that right?

MR. SKEWICK: That's correct. I would like

to state -- perhaps me for one moment -- that in the

year and a half that we have been in business I have

never received one complaint with regard to any trans-

action which we had in that period of time.

MR. LAMONT: Could I ask this question? Did

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MR. LAMONT: Well, on your schedule -- I'm

just trying to get this clear -- examples of loans,

\$5,000, this is what the borrower undertakes to repay?

MR. SKEWICK: No. That is the amount which

he receives, he may borrow, that's the amount which he

receives.

MR. LAMONT: Okay. Let's try that now

Supposing this is the face value, then why actually

only get \$3,750?

MR. SKEWICK: If this was the face value of



1 the mortgage, he can take a discount of 20%, over five
2 years, -- a discount of 20% on 5,000 would be \$4,000.

3 MR. IRWIN: In other words, on this
4 schedule, if I went in and I said I was applying for
5 a loan under this term, \$5,000 at \$123.48 a month --

6 MR. SITZER: You would receive \$5,000.

7 MR. IRWIN: I would. But then I would be
8 paying on \$6,000?

9 MR. SITZER: You would be paying on \$6,250.

10 MR. IRWIN: Oh, that's right.

11 MR. SITZER: 7% interest.

12 MR. IRWIN: We are engaging in a little
13 arithmetic here. Let's stick to this point. I only
14 went in intending to borrow \$5,000 period, not 6250
15 and what I end up is getting what? \$4,000, right?

16 MR. SITZER: Right, and your payment is
17 \$98.78 a month.

18 MR. IRWIN: Well, it says \$128.48. I don't
19 get this.

20 MR. SITZER: I'm sorry?

21 MR. IRWIN: I don't quite get this--

22 MR. SEDGWICK: He gets \$4,000 but he signs
23 a mortgage for \$5,000, is that right?

24 MR. SITZER: In reply to this ad you would
25 come in for what amount of money? For \$5,000 -- and
26 you are prepared, on the basis of this ad to pay \$123.48
27 a month for five years to get \$5,000. You would get
28 \$5,000 and you would pay \$123.48 a month.

29 MR. IRWIN: The bonus is in the \$123.48?

30



the mortgage, he can take a discount of 20%, over five years, -- a discount of 20% on \$5,000 would be \$4,000.

MR. IRWIN: In other words, on this

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MR. SITTER: You would receive \$5,000.

MR. IRWIN: I would. But then I would be

paying on \$6,000?

MR. SITTER: You would be paying on \$6,250.

MR. IRWIN: Yes, that's right.

MR. SITTER: The interest.

MR. IRWIN: We are engaging in a little

arithmetic here. Let's stick to this point. I only

went in intending to borrow \$5,000 period, not \$520

and what I end up as getting what? \$4,000, right?

MR. SITTER: Right, and your payment is

\$98.78 a month.

MR. IRWIN: Well, it says \$123.48. I don't

get this.

MR. IRWIN: I don't quite get this --

MR. SITTER: He gets \$4,000 but he signs

a mortgage for \$5,000, is that right?

MR. SITTER: In reply to this and you would

come in for what amount of money? For \$5,000 -- and

you are prepared, on the basis of this ad to pay \$123.48

a month for five years to get \$5,000. You would get

\$4,000 and you would pay \$123.48 a month.

MR. IRWIN: The bonus is in the \$123.48?



1 MR. SITZER: Correct.

2 MR. WHITE: Why do you do it that way?

3 It's a way of securing the effective interest rate,
4 isn't it?

5 MR. SITZER: Not at all. The effective rate
6 of interest is required to be set out in these Mortgage
7 Statement forms now.

8 MR. SEDGWICK: In the mortgage you have to
9 put a rate?

10 MR. SITZER: Oh, yes. The reason that we
11 do that, Mr. White is because these loans are often
12 put through by mortgage brokers, Mr. Latimer gave
13 examples of them, with effective rates of interest
14 at 12% or 9% or something like that, or 8%, whatever
15 it was on first mortgages, and so on. If, during
16 the term of the loan a borrower finds himself in a
17 position where he wants to sell his home he will not
18 be able to sell his home with a mortgage that is
19 stipulated at 12% or 17% or whatever rate of interest
20 is stipulated. This enables, by converting it into
21 a 7% rate, it enables the borrower to sell his home
22 allowing a purchaser to assume the obligation which
23 he has contracted for. Now, if the vendor owned a
24 home, no second mortgage at all, --this is how these
25 rates are determined, these rates just aren't arbitrar-
26 ily arrived at -- if a borrower or if an owner sells
27 his home he has only one mortgage on it. The purchaser
28 doesn't have cash, he has the down payment, the
29 balance to be taken back by the vendor in a second
30

MR. WHITE: Why do you do it that way?

It's a way of securing the effective interest rate.

Isn't it?

MR. SUTHER: Not at all. The effective rate

of interest is required to be set out in these mortgages

MR. REDGWICK: In the mortgage you have to

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is stipulated. This enables, by converting it into

a 7% rate, it enables the borrower to sell his home

allowing a purchaser to assume the obligation which

he has contracted for. Now, if the vendor owned a

home, no second mortgage at all, -- this is how these

rates are determined, these rates that aren't arbitrary

they are fixed at -- if a borrower or if an owner sells

the house he has a mortgage on it. The purchaser

doesn't have cash, he has the down payment, the



1 mortgage. The second mortgage rate recited in the
2 mortgage taken back would be 12%. The purchaser would
3 never buy the house if the vendor said, "Well, I
4 want 12% on a second mortgage", he would never buy
5 it. Well, the purchaser pays a higher price for the
6 house which higher price is the amount which the vendor
7 will have to discount on his second mortgage which he
8 takes back, to realize the cash and the amount which
9 he will lose by discounting his second mortgage will be
10 a minimum of 20%. Therefore, the bonus or discount
11 which we charge is a discount of 20%.

12 MR. SEDGWICK: Yes, so that your mortgage
13 really equates a builder's mortgage?

14 MR. SITZER: Correct.

15 MR. WHITE: Well, I am through, except that
16 I would like to make an observation. That is that
17 this witness and his company are charging a relatively
18 high rate of interest compared to conventional mortgage
19 lenders and a relatively low rate of interest compared
20 to consumer finance companies and, although I was not
21 pleased at the initial mention of an interest rate
22 which, to me, seemed deceptive, I think this is a
23 good operation.

24 MR. SITZER: I appreciate that, Mr. White.
25 I would like to state that, in relation to mortgage
26 brokers -- using Mr. Latimer's example -- he had
27 someone that is converting their loan from a finance
28 company at 24% to his company at 12%. This was a
29 \$2,000 loan that he referred to -- I did some
30 calculation when he mentioned this -- the rate of



mortgage. The second mortgage rate received in the mortgage taken back would be 12%. The purchaser would never pay the house if the vendor said, "Well, I want 12% on a second mortgage", he would never pay it. Well, the purchaser pays a higher price for the house which higher price is the amount which the vendor will have to discount on his second mortgage which he takes back, to realize the cash and the amount which he will lose by discounting his second mortgage will be a minimum of 20%. Therefore, the bonus or discount which we charge is a discount of 20%.

MR. SEDGWICK: Yes, so that your mortgage really equates a builder's mortgage?

MR. STUBBS: Correct.

MR. WHITE: Well, I am through, except that I would like to make an observation. That is that this witness and his company are charging a relatively high rate of interest compared to conventional mortgage lenders and a relatively low rate of interest compared to consumer finance companies and, although I was not pleased at the initial mention of an interest rate which, to me, seemed defective, I think this is a good question.

I would like to state that, in relation to mortgage brokers -- using Mr. Lawrence's example -- he had someone that is converting what is from a finance company at 24% to his company at 12%. This was a \$2,000 loan that he returned to -- I did some



1 interest that he was charging this individual was 12%.
2 His charges were \$200.00. Now, if you take the \$200.00
3 and divide it -- now he said this was for a ten year
4 period, only for five years but on a ten year plan
5 that it would be renewable -- if you took it on a ten
6 year period, this \$200.00 would be \$20.00 a year. His
7 rate of 12% on \$2,000 would be \$240.00 adding in the
8 \$20.00 per year charge would bring it up to \$260.00.
9 Now the borrower has only received \$1800.00. If we
10 divide 1800 into the \$260.00 -- which is the way that
11 I calculate my interest -- you will find that that
12 is $14\frac{1}{2}\%$. If it ran only for five years the effective
13 rate which Mr. Latimer would be charging would be $15\frac{1}{2}\%$.
14 Now we will all have to agree, certainly I will, that
15 Mr. Latimer, in his charges, is very lost, I'd say
16 extremely lost in his charges and I would have to say
17 that in most brokerage, mortgage broker, instances
18 that where a rate of 12% is charged, plus usual -- I'm
19 not talking about high and I'm not talking about low --
20 but usual brokerage fees, inspection and commissions
21 and so on are charged, I would say that there are very
22 few mortgages, very few second mortgages, that would
23 have an effective rate of interest less than what we
24 charge, and in most instances I would say that it would
25 be greater because if we can see that by charging
26 \$200.00 over a ten year term, which break down to
27 \$20.00 a year, that the effective rate of interest
28 jumps to 14.5 and if this thing was amortized I would
29 have to say that it might very well work out to about
30



1 17% because that is what amortization does. Then I
2 would say that in Mr. Latimer's case, for example,
3 which I would have to state with my knowledge and
4 experience, that his charges are very modest. If that
5 can work out to an effective rate of approximately 17%,
6 if it was amortized and that's what it would work out
7 to, then you can imagine what the effective rate of
8 interest would work out to, with reasonable brokerage
9 charges and inspection, appraisal, and so on, plus
10 a reasonable rate of interest, what it would work out
11 to through a normal mortgage broker. I would say that
12 with no hesitation that it would work out considerably
13 higher than the rate that we charge.

14 MR. REILLY: I know it's late, Mr. Chairman,
15 and you are anxious to conclude for lunch til one or
16 two o'clock that I had in mind. First of all, if I
17 borrowed some money from you for a period of five
18 years and I want to pay it back in the period of one
19 year, do you not charge me for paying that back in
20 advance? Is it not customary for most finance companies
21 to charge for prepayment when you want to pay it back
22 in advance?

23 MR. SITZER: They allow you some discount,
24 is that what you mean?

25 MR. REILLY: Yes. Well, instead of -- I
26 borrow \$5,000, I think I need it for five years and
27 then I find that I don't need it for five years and at
28 the end of one year I come back to you and say, "I
29 would like to pay this loan back to you". Do you not
30



...because that is what amortization does. Then I
would say that in Mr. Bateman's case, for example,
which I would have to state with my knowledge and
experience, that his charges are very modest. It that
can work out to an effective rate of approximately 17%,
if it was amortized and that's what it would work out
to, then you can imagine what the effective rate of
changes and inspection, appraisal, and so on, plus
a reasonable rate of interest, what it would work out
to through a normal mortgage banker. I would say that
with no hesitation that it would work out considerably
higher than the rate that we charge.

MR. REILLY: I know it's late, Mr. Chairman,
and you are anxious to conclude for lunch till one or
two o'clock that I had in mind. First of all, if I
borrowed some money from you for a period of five
years and I want to pay it back in the period of one
year, do you not charge me for paying that back in
advance? Is it not customary for most finance companies
to charge for prepayment when you want to pay it back
in advance?

MR. SEXTON: They allow you some discount,
is that what you mean?

MR. REILLY: Well, instead of -- I
borrow \$5,000, I think I need it for five years and
then I find that I don't need it for five years and at
the end of one year I come back to you and say, "I
would like to pay this loan back to you". Do you not



1 charge me now extra?

2 MR. SEDGWICK: Mr. Reilly, you are forgetting
3 that your obligation isn't \$5,000, it's \$6250.

4 MR. REILLY: You pay the whole bonus?

5 MR. SITZER: Yes.

6 MR. REILLY: And under those circumstances,
7 do you not have a fixed charge, such as three months'
8 interest possibly?

9 MR. SITZER: No, we don't have any specific,
10 minimum charge or anything.

11 MR. REILLY: Yes. I've gone into a contract
12 with you, I realize this, and I can take a full five
13 years to pay it back, but I don't require five years.
14 I thought I did, but now I don't. Do you make any
15 rebate to me for paying it back in advance?

16 MR. SITZER: In a year?

17 MR. REILLY: Yes.

18 MR. SITZER: If you pay it back within a
19 year we would make a very substantial rebate to you.
20 I would say probably 50%.

21 MR. REILLY: Do you have any specific table
22 in connection with this? That is left to your
23 jurisdiction?

24 MR. SITZER: Yes, that is left to our
25 discretion. It's up to the manner in which you paid
26 us. If you have been extremely good we might (voice
27 inaudible)

28 MR. REILLY: Yesterday I was talking to a
29 constituent who wanted to pay back in advance and she
30 finds she is going to have to pay a lot -- she is not



that your obligation isn't \$5,000, it's \$2,500.

MR. REILLY: You pay the whole amount?

MR. SIVNER: Yes.

MR. REILLY: And you have no obligation?

do you not have a fixed charge, such as three months?

MR. SIVNER: (Indistinct)

MR. REILLY: (Indistinct)

minimum charge on anything

MR. REILLY: Yes. I've gone into a contract

with you, I realize this, and I can make a full five

years to pay it back, but I don't require five years.

I thought I did, but now I don't. Do you make any

rebate to me for paying it back in advance?

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MR. REILLY: Yes.

MR. SIVNER: If you pay it back within a

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in connection with this? That is left to you?

(Indistinct)

MR. SIVNER: Yes, that is left to our

discretion. It's up to the manner in which you pay

us. If you have been extremely good we might (voice

(Indistinct)

MR. REILLY: Yesterday I was talking to a

representative and wanted to pay back in advance and

there was no going to have to pay a lot -- she is not



1 going to get nearly as much back as she anticipated.
2 She had entered into a three year contract and she is
3 now willing to pay it back in one year and she is very
4 disappointed. I wondered what your experience was here
5 -- whether you had a table.

6 MR. SITZER: We don't have a table but I
7 would say this. In dealing with a constituent which
8 in most instances would be a borrower rather than a
9 lender, because borrowers are far more numerous, that
10 most borrowers, most individuals, would be disappointed
11 in what they would find that they would be getting
12 back or what they would have to pay or something like
13 that. Because they don't realize that in setting up
14 a loan that there are greater initial costs which have
15 to be charged and therefore it would be impossible to
16 prorate any kind of an allowance.

17 MR. REILLY: Well, Mr. Sitzer, there is one
18 other thought. You place the money on the basis of
19 first or second or third mortgage?

20 MR. SITZER: Yes, that's true.

21 MR. REILLY: You don't inspect the property,
22 you say?

23 MR. SITZER: We do.

24 MR. REILLY: You do. And under those
25 circumstances, what equity would a person have to have
26 before you would advance a loan?

27 MR. SITZER: In many instances the equity
28 requirements are almost negligible. We will, in
29 certain instances -- I don't want to say this is a
30

going to get nearly as much back as she anticipated.
She had entered into a three year contract and she is
now willing to pay it back in one year and she is very
disappointed. I wondered what your experience was here
-- whether you had a table.

MR. SITTER: We don't have a table but I
would say this. In dealing with a constituent whom
in most instances would be a borrower rather than a
lender, most borrowers, most individuals, would be disappointed
in what they would find that they would be getting
back or what they would have to pay or something like
that. Because they don't realize that in setting up
a loan that there are greater initial costs which have
to be charged and therefore it would be impossible to

MR. BELLY: Well, Mr. Sitter, there is one
other thought. You place the money on the basis of
first or second or third mortgages?

MR. SITTER: Yes, that's true.
MR. BELLY: You don't respect the property.

you say?
MR. SITTER: We do.

MR. BELLY: You do. And under those
circumstances, what equity would a person have to have
before you would advance a loan?

MR. SITTER: In many instances the equity
requirements are almost negligible. We will, in
certain instances -- I don't want to say this is a



1 general rule of thumb -- but we generally look at the
2 man's ability to pay. If we think that he is going to
3 be able to pay it back we will sometimes take a greater
4 risk. In other words, we will advance the money to
5 him, which, I would inform you, is generally done to
6 consolidate debts which he presently has and debts
7 which usually include perhaps a couple of finance
8 companies, or payment on a car and that type of thing.

9 MR. REILLY: On the basis of the man's
10 record, his employment etc., rather than on the basis
11 of --

12 MR. SITZER: Right. He may have, after we
13 lend him his money, we may lend him up to the entire
14 equity he has in his property.

15 MR. REILLY: Well, this is the point I
16 wanted to establish, Mr. Chairman. It is very easy
17 for a man like Mr. Latimer to come before this Committee
18 and lend money at a lower rate if he is going to screen
19 everybody and only take the cream off the top. And
20 this is the point, I think, that the members of the
21 Committee should realize. I personally asked Mr.
22 Latimer how many people he turned down. When I spoke
23 to him he indicated that he had screened them over
24 the telephone and by the time they came into his office
25 he would only accept one client out of five. In other
26 words, the 80% who actually need it are turned away
27 and this is something I think this Committee should
28 be cognizant of.

29 MR. SITZER: Mr. Latimer mentioned that
30



1 up to 70% -- after the loan was made -- equity up to
2 70% so he would have to have 30% equity remaining.
3 Now there are other companies -- Coronation Credit
4 Corporation, United Dominions, certain other companies
5 -- they will lend up to 80% of the value of the home.
6 In other words there would be a 20% equity remaining.
7 I would say that in the majority of instances in which
8 we lend the equity remains, maybe 10%, it may be 5%,
9 but if a man is paying household finance companies,
10 General Motors on his car, Premier Acceptance on his
11 refrigerator and Eaton's so something on a budget plan
12 or something like that which their effective rate is
13 16%, I believe, then -- and he is paying a total of
14 \$200.00 a month and he's got a total indebtedness of
15 \$4,000, there is no reason why he can't borrow \$4,000
16 from us and pay us \$98.78 a month. We talked earlier
17 I believe, you did with Mr. Latimer, about a man
18 putting himself into foreclosure. It often works out
19 that by borrowing money, strange as it may seem, a man
20 can work himself out of his difficulties, and that's
21 our advertisement "Available cash will solve most
22 financial problems" is not a misstatement at all. "Are
23 your monthly payments too high?" -- and, in instances
24 they often are too high and if a man is consolidating
25 -- this is the largest part of the business that we
26 are in -- if a man is consolidating all of his
27 indebtedness, there may be perhaps four or five
28 different places he is paying, he's got a total monthly
29 outlay of \$200.00 a month, we can put it into one
30

... they will lend up to 80% of the value of the home
In other words there would be a 20% equity remaining.
I would say that in the majority of instances in which
we lend the equity remaining, maybe 10%, it may be 15%,
but if a man is paying household expenses companies,
Special Motors on his car, Premier Acceptance on his
refrigerator and heater's so something on a budget plan
or something like that which their effective rate is
10%, I believe, then -- and he is paying a total of
\$200.00 a month and he's got a total indebtedness of
\$4,000, there is no reason why he can't borrow \$1,000
from us and pay us \$68.78 a month. We talked earlier
I believe, you did with Mr. Lattimer, about a man
putting himself into foreclosure. It often works out
that by borrowing money, straighten up his way and, a man
can work himself out of his difficulties, and that's
our advertisement "Available cash will solve most
financial problems" is not a misstatement at all. We
your monthly payments too high" -- not, in instances
they often are too high and if a man is consolidating
-- this is the largest part of our business that we
are in -- if a man is consolidating all of his
indebtedness, there may be perhaps four or five
different places he is paying, he's got a total monthly
payment of \$200.00 a month, we can put it into one



1 loan for him at half the price per month that he is
2 presently paying and in many instances at a lower rate
3 of interest than what he is paying and we are satisfied.
4 Not so much on the equity but because a man is paying
5 \$200.00 a month, there is no reason why he can't pay
6 \$100.00 a month. This is the basis on which we work.

7 MR. REILLY: One final question. In your
8 submission you indicated it wasn't a true interest
9 rate from the standpoint of a bank at 6% and it wasn't
10 a true interest as far as a finance company on the
11 basis of 11 or 12% on loans. What would you consider
12 is the true interest rate as far as finance companies
13 are concerned?

14 MR. SITZER: I would say that the fluctuation
15 might be somewhere between 20 and 21, well I can tell
16 you it's greater than 20, say up to 27%. From 20 to
17 27%.

18 MR. BUKATOR: Mr. Chairman, I hate to
19 prolong this, but this brings up a brand new line of
20 thought to me. I tried to interject it yesterday.

21 If your company, Mr. Sitzler, ever decided to take a
22 man with a lot of financial problems under your wing,
23 so to speak, and put his house in order by buying up
24 his debts and consolidating for him --

25 MR. SITZER: When you say buying up their
26 debts?

27 MR. BUKATOR: The paper that they owe to
28 others?

29 MR. SITZER: We never take any paper at all.

30 MR. BUKATOR: Have you ever heard of a

loan for him at half the price per month that he is
presently paying and in many instances at a lower rate
of interest than what he is paying and we are satisfied.
Not so much on the equity but because a man is paying
\$200.00 a month, there is no reason why he can't pay
\$100.00 a month. That is the basis on which we work.
MR. KELLEY: One final question. In your

explanation you indicated it wasn't a true interest
rate from the standpoint of a bank at 6% and it wasn't
a true interest as far as a finance company on the
basis of 11 or 12% or loans. What would you consider
is the true interest rate as far as finance companies
are concerned?

MR. STEIN: I would say that the distinction
might be somewhere between 20 and 25, well I can tell
you it's greater than 20, say up to 25%. From 20 to

MR. BULACH: Mr. Chairman, I hate to
prolong this, but this brings up a brand new line of
thought to me. I tried to interrupt it yesterday.
Insurance company, Mr. Stein, ever decided to take a
man with a lot of financial problems under your wing,
so to speak, and put him home in order of paying up
his debts and consolidating for him --

MR. STEIN: When you say anything about
MR. BULACH: The paper I see they are in



1 company that does? Business of that type?

2 MR. SITZER: I wouldn't be able to name
3 them specifically, but I understand that there are
4 companies that sort of manage people's affairs and
5 that sort of thing. Whether they buy the debts or not
6 or how they do it I really don't know. We have nothing
7 to do with that operation at all.

8 MR. SEDGWICK: But in effect that is what
9 you do by giving them the money to clean up his own
10 debts?

11 MR. SITZER: Right.

12 MR. HUKATOR: Let's follow this a little
13 further for the benefit of the Committee. You might
14 have heard often where a man is in a position where
15 he just can't come out of it. A finance company
16 will come in any buy up outstanding accounts and if
17 I had \$500 coming to me they may buy me or my paper
18 for \$300 because I'm not going to get anything out of
19 it anyhow, but yet that particular company will charge
20 the borrower the full amount and so there is a
21 substantial profit to the company, but apparently we
22 haven't got one of those here yet. We will find them
23 before this is through.

24 MR. SITZER: I would say, and this is often
25 the case, that people in borrowing money from us, and
26 I am talking from experience, will find that the saving
27 that they will make with the rebate that they get on
28 prepayment of their obligation on their car, they may
29 have a saving of three or four hundred dollars on
30 that. By prepaying at a finance company they may get

then specifically, but I understand that there are
companies that sort of make people's affairs and
that sort of thing. Whether they pay the debts or not
or how they do it I really don't know. We have nothing
to do with that operation at all.

MR. SUTHER: And in other words you

you do by giving them the money to clear up his own
debts?

MR. SUTHER: Right.

MR. SUTHER: Now I follow with a question

whether for the benefit of the Committee. You might
have heard often where a man is in a position where
he just can't come out of it. A finance company
will come in any day up outstanding accounts and if
I had \$500 coming to me they may buy me on my paper
for \$300 because I'm not going to get anything out of
it anyhow, but yet that particular company will charge
the borrower the full amount and so there is a
substantial profit to the company, but apparently we
haven't got one of those here yet. We will find them
before this is through.

MR. SUTHER: I would say, and this is often

the case, that people in borrowing money from us, and
I am talking from experience, will find that the saving

that they will save from the saving
payment of their obligation on their car, they may
save a saving of three or four hundred dollars on



1 a certain rebate there and on a stereo or a television
2 or something like that. The thing is they get certain
3 allowances. The amount of allowance which they can
4 obtain by paying off these contracts prior to their
5 maturity can equal the cost of financing the amount
6 that they need to so prepay their other obligations,
7 the cost of financing that money with us for almost
8 the entire length of the loan. Simply because the
9 rate of interest which we charge is less than what
10 they are paying to consumer finance companies and
11 discount companies that they are dealing with.
12 Certainly they will be able to save the amount of
13 bonus that we charge and, in effect, what they are
14 doing is obtaining a 7% rate, a true 7% rate, in
15 place of a rate that might very well be 24%.

16 MR. MACDONALD: Your company is providing a
17 service in the field because it helps to bail people
18 out who are being charged so much more. That, in
19 effect, is what it adds up to.

20 MR. SITZER: We fall, Mr. MacDonald, between
21 the banks and the finance companies. That's where we
22 fall and I would say that the difference in our charge
23 as between a bank and using the same basis of compu-
24 tation, I believe that I am right -- Mr. Lawrence, did
25 you check that? Is that what it was? 14%? Yes.
26 The Canadian Bank of Commerce on personal loans is
27 charging 14%. On that same basis we charge 17%. There
28 isn't a great deal of difference in the scale of charge
29 that we make and what the bank charges on a personal
30



1 loan. At the same time the finance companies --

2 MR. WHITE: It would be closer to 20 though,
3 including your legal fees? Perhaps about a point?

4 MR. SITZER: Perhaps. The legal fee, I
5 can assure you, Mr. White, is nominal. If you do take
6 it into account -- I wouldn't say it is 20, no.

7 MR. WHITE: It would be around 19?

8 MR. SITZER: That's possible. However,
9 legal fees, as long as they are tariff fees, which is
10 what we charge, are the cost which the borrower must be
11 prepared to pay in doing any kind of mortgage arranging,
12 so I don't know if that's a legitimate --

13 MR. WHITE: Well, I mean, costs though that
14 he doesn't have to apy.

15 MR. SITZER: At the bank?

16 MR. WHITE: I mean, I agree with you, the
17 bank is charging let's say 12% without any insurance.
18 Not this bank, I mean generally speaking on these
19 small loans, they are charging 12%, you are charging
20 perhaps 19% including the legal fee -- and the
21 small loan finance companies charge maybe 24%. I agree,
22 you are falling in between the two and if their charges
23 are reasonable, then presumably yours are.

24 MR. REILLY: You don't insist upon an
25 insurance policy?

26 MR. SITZER: No. I find that most people
27 have managed to fall under the influence of an insurance
28 agent before they come to see me and they ususally have
29 life insurance. I don't encumber them with additional
30

1000. At the same time, I would be closer to 20 though.

MR. WHITE: Including your legal fees? Perhaps about a point?

MR. WHITE: I would be around 19.

MR. WHITE: It would be around 19.

MR. WHITE: I would be around 19.

legal fees, as long as they are tariff fees, which is what we charge, are the cost which the borrower must be prepared to pay in doing any kind of mortgage arranging, so I don't know if that's a legitimate --

MR. WHITE: Well, I mean, costs though that he doesn't have to pay.

MR. WHITE: As the bank.

MR. WHITE: I mean, I agree with you, the bank is charging let's say 1% without any insurance. Not this bank, I mean generally speaking on these small loans, they are charging 1%, you are charging perhaps 1% including the legal fee -- and the small loan finance companies charge maybe 2%. I agree, you are falling in between the two and if their charges are reasonable, then presumably yours are.

MR. WHITE: You don't insist upon an insurance policy?

MR. WHITE: No, I find that most people have managed to fall under the influence of an insurance agent before they come to see me and they usually have life insurance. I don't consider them what you call



1 life insurance which is a term contract and which gives
2 them little benefit. If they feel that they need life
3 insurance I suggest that they buy other than term
4 insurance for very little more than we would have to
5 charge to place a term insurance policy on their
6 contract.

7 THE CHAIRMAN: Well, it's one o'clock. Are
8 there any other questions? Well then, Mr. Sitzer,
9 you won't have to come back after lunch.

10 MR. SITZER: Okay, although I certainly would
11 be happy to come back.

12 THE CHAIRMAN: That's all I think. Thanks
13 very much. We appreciate your coming this morning.
14 We will reconvene at two o'clock, and Mr. Taube,
15 we will hear you first.

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the insurance which is a term contract and which gives
them little benefit. If they feel that they need life
insurance I suggest that they buy other than term
insurance for very little more than we would have to
charge to place a term insurance policy on their
contract.

THE CHAIRMAN: Well, it's one o'clock. And
I think any other business that I have to
put down is to come back after tea.

MR. STINER: Okay, although I certainly would
be happy to come back.

THE CHAIRMAN: That's all I think. I think
very much. We appreciate you coming this morning.
We will reconvene at two o'clock, and up, thank you.
We will hear you later.

THE CHAIRMAN:



/dh-24

1 ---ON COMMENCING AT 2:00 P.M.

2 THE CHAIRMAN: When we adjourned, Mr. Taube
3 still hadn't been heard from. He was originally going
4 to give us his brief this morning or his remarks, so I
5 will call Mr. L. Taube now, who is a Barrister and
6 Mortgage Broker. Mr. Taube, do you wish to make some
7 remarks to the Committee on your operation?

8 MR. TAUBE: Well, I have been a Barrister
9 since 1929, which is, I think, 34 years and I think I
10 placed a mortgage about the first week after I graduated
11 and as a young kid I thought it was a nice way to
12 introduce a mortgagee to a mortgagor and make a few
13 dollars fee, which was within our profession, and I have
14 been making mortgages ever since. The last few years
15 there has been a very radical drop in the number of fees
16 we get. We used to have many, now we have a few. We
17 welcome the business. I have many clients who lend
18 money on mortgages and I have been dealing with many
19 widows who have money and their sole support is interest
20 on first mortgages which at the current rate -- we place
21 the very choice ones if the people won't pay $7\frac{1}{2}\%$ which I
22 require for my clients they -- if it's a very choice one
23 we can often place it at 7%. On mortgages we ask them
24 to take the loan for five years because many of our
25 clients are older people and they don't want a 10 year
26 term but if that's the only way they can get the mortgage
27 sometimes they will take a ten year term. We don't have
28 the bonus business -- just straight loans less my fees,
29 commission and disbursements and I also charge an
30



Toronto, Ontario
July 24, 1964

to give us his brief this morning on his memory, so I
will call Mr. J. Tabor now, who is a Barrister and
Mortgage Broker. Mr. Tabor, do you wish to make some

Mr. Tabor: Well, I have been a Barrister

since 1929, which is, I think, 34 years and I think I
placed a mortgage about the first week after I graduated
and as a young kid I thought it was a nice way to

introduce a mortgage to a mortgagee and make a few
dollars too, which was within our profession and I have
been making mortgages ever since. The last few years

there has been a very radical drop in the number of loans
we get. We used to have many, now we have a few. We

welcome the business. I have many clients who lend
money on mortgages and I have been dealing with many

widows who have money and their sole support is interest
on first mortgages which at the current rate -- we place
the very choice ones if the people want to pay 1 1/2% until I

repay for my clients they -- if it is a very choice one
we can often place it at 1% for mortgages we are

to take the loan for five years, because many of our
clients are older people and they don't want a 10 year

term but at that is the only way they can get the mortgage
sometimes they will take a 10 year term, we don't have

commission and discounting and I also charge



1 inspection fee, a nominal amount. And that is deducted
2 unless -- once in a very long time a person says, "No,
3 you give me the full amount of the mortgage and I will
4 pay you your fees separately", but that doesn't happen
5 very often, gentlemen. It might be once in fifty times
6 or maybe a hundred. It is just that I remember that it
7 happens sometimes. Generally we deduct the fee. They
8 don't seem to have extra hundreds of dollars or whatever
9 they need to supplement. We have to give them a mortgage
10 most times sufficient to pay off either one or two
11 mortgages which we have to discharge and sometimes we
12 run into a situation like was spoken about this morning
13 where a person has, in addition to a mortgage to pay off,
14 he might have four or five different debts he is paying
15 monthly payments to various organizations and I was
16 appalled at the large amounts of some 50-60-70 dollars
17 a month on one of them alone. A man perhaps is only
18 earning that much per week. I just couldn't estimate
19 how these people really go into all this debt without
20 even realizing it. And when they are in trouble they
21 seem to go, in many cases, to a mortgage broker, a man
22 who advertises -- there is one outfit that received some
23 prominence here a few days ago -- I don't know if its
24 prominence, but we will call it that -- who uses the
25 telephone. The telephone soliciting business. I have
26 never seen it in operation but I know, having been told,
27 that he has several people sit on the phone and call up
28 people and ask them if they need money. It seems there
29 are people who need money in our modern times. So, I
30



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where a person has, in addition to a mortgage to pay off,
he might have four or five different loans he is paying
monthly payments to various organizations and I was
appalled at the large amounts of some \$50-\$60-\$70 dollars
a month on one of them alone. I can picture it only
earning that much per week. I just couldn't estimate
how these people really go into all this debt without
even realizing it. And when they are in trouble they
seem to go, in many cases, to a mortgage broker, a man
who advertises -- there is one outfit that advertises some
prominence here a few days ago -- I don't know if the
prominence, but we will call it that -- the man the
telephone. The telephone soliciting business. I have
never seen it in operation but I know, having been told,
that he has several people all over the phone and tell us
people and ask them if they need money. It seems there
are people who need money in our modern times. So I



1 place in a month approximately five or six mortgage loans.
2 That's speaking of the last year or two and of that amount
3 at least one, possibly two -- there could be two of them
4 -- one or two of the five or six loans a month would be
5 second mortgages. The rate that we request on second
6 mortgages is 10%. There is no bonus involved, none
7 whatsoever. The mortgages which I prepare in my office
8 are all open on any payment date. Many years ago, if a
9 client insisted that the mortgage be closed for years, I
10 was fortunate -- I didn't have to accept such a person
11 as a client. I thought it was a great hardship. I knew
12 I wouldn't sign a mortgage that wasn't open. I wouldn't
13 expect another person to. We heard some little dis-
14 cussion earlier in the day about what happens if a person
15 can pay his money back. There should be in every
16 mortgage the privilege, as I see it, permitting the
17 person to pay off on a payment date. We once used to
18 have it at any time and we once had a crank who brought
19 us five dollars a day. It took too much bookkeeping to
20 do that, so we made a ruling many years ago --open on
21 a payment date. Some mortgages are quarterly, and some
22 which are submitted to a mortgage broker sometimes are
23 monthly blended payments which combine both principal
24 and interest. When I set up a mortgage myself I like to
25 have a reasonable principal payment. I ask the people
26 what they can afford, whether it is 50 a quarter or 75
27 a quarter. That's more or less the way we do it. Plus
28 interest every three months. And in my way of doing
29 business we have a bookkeeper in the office who sends
30



1 out a bill, even if it is a monthly payment, everybody
2 gets a bill and it shows how much is principal and how
3 much is interest every month. We request them to send
4 the bill back with a cheque and we receipt the bottom
5 portion of it and return it again to the owner. I get
6 mortgage applications from various sources. There are
7 three mortgage brokers who sometimes call me up, some-
8 times I hear once or twice a month from them, sometimes
9 I may not hear from them in a whole month or two, just
10 depends when they have something. We place first
11 mortgages a little bit higher in some cases than a
12 company can. Let's say a property that's insul-brick.
13 We take insul-brick and stucco -- a lot of the lending
14 institutions are a little reluctant to go any sizeable
15 amount -- where they might give \$5,000, I might be able
16 to give \$5500 or \$6,000 if they need it and in that way,
17 where they might get it at 7% from a company which, I
18 would imagine, would be a closed mortgage for five years
19 at the lower rate, at 7 $\frac{1}{2}$ % they get from us an open
20 mortgage without any notice or bonus whatsoever. Now,
21 I also get calls sometimes from a real estate agent,
22 the odd time I get a call from another lawyer whose client
23 needs a mortgage. He knows that I have clients that
24 lend money on mortgages and I try to place it if I can.
25 If it's too high I make a counter offer of a lesser
26 amount and if we can get together it's a deal.

27 I also get people who come back to me or
28 referrals. I have been a very long time in the mortgage
29 business and naturally people know me that I -- I once
30 had a mortgage on their home and they need it again.



out a bill, even if it is a monthly payment, everybody gets a bill and it shows how much is principal and how much is interest every month. We request them to send the bill back with a cheque and we receipt the bottom portion of it and return it again to the owner. I get mortgage applications from various sources. There are three mortgage brokers who sometimes call me up, sometimes I hear once or twice a month from them, sometimes I may not hear from them in a whole month or two, just depends when they have something. We place first mortgages a little bit higher in some cases than a company can. Let's say a property that's beautiful. We take three-fourths and three -- a lot of the lending institutions are a little reluctant to go any higher amount -- where they might give \$5,000, I might be able to give \$7500 or \$6,000 if they need it and in that way, where they might get it at 7% from a company which, I would imagine, would be a closed mortgage for five years at the lower rate, at 7% they get from an open mortgage without any notice or bonus whatever. Now, I also get calls sometimes from a real estate agent, the old time I get a call from another lawyer whose client needs a mortgage. He knows that I have clients that lend money on mortgages and I try to place it if I can. If it's too high I make a counter offer of a lesser amount and if we can get together it's a deal. I also get people who come back to me on referrals. I have been a very long time in the mortgage business and naturally people know me that I -- I once



1 They will say, "You know I knew you ten years ago,
2 fifteen years ago". I get these stories and it makes me
3 feel like an old man sometimes. Those are the various
4 sources. I never have advertised in my life, never spent
5 a penny, never distributed a card on mortgages or anything
6 of that sort.

7 When the Mortgage Brokers' Act came into force,
8 I think it's two years ago in July, if I remember my
9 dates correct, I didn't take out a licence then. I
10 figure I'm a lawyer, I charge $1\frac{1}{2}\%$ legal fees, I can charge
11 1% commission for arranging a loan -- it's all in the
12 tariff. I thought I could charge a reasonable fee of
13 \$20.00 for inspecting a property which sometimes takes
14 as high as two hours to go and see, up and back and there.
15 And of course my disbursements which on a mortgage runs
16 somewhere in the neighbourhood of around \$14 or \$15.00.
17 That's it. So I estimated some years ago that if I
18 charged on a first mortgage a total of 3% of the amount
19 that that would cover $1\frac{1}{2}\%$ legal fees, 1% finder's fee or
20 commission -- I think it means the same, whichever
21 expression you use -- it includes my disbursements which
22 are approximately \$15.00 and it includes \$20.00 inspection
23 fee. I think we give the owners a little better service
24 in one way -- as I said, I send them bills and receipts.
25 A lot of people don't do that. The regular amount -- you
26 maybe just send them in a pile of cheques and they put
27 them through. Nobody gets a bill, nobody gets a receipt.
28 But I have found over the years that the average man is
29 happy to get a bill and a receipt. He likes it. Often
30



They will say, "You know I knew you ten years ago,
fifteen years ago". I get these stories and it makes me
feel like an old man sometimes. Those are the various
sources. I never have advertised in my life, never spent
a penny, never distributed a card on mortgages or anything
of that sort.
When the Mortgage Insurance Act came into force,
I think it's two years ago in July, I remember my
dates correct, I didn't take out a license then. I
figure I'm a lawyer, I charge legal fees, I can charge
a commission for arranging a loan -- it's all in the
law. I should have a license to do that.
\$20.00 for inspecting a property which sometimes takes
at least an hour, but I don't want to pay for it.
And of course my disbursement which on a mortgage was
somewhere in the neighborhood of around \$15 or \$16.00.
That's it. So I estimated some years ago that if I
charged on a first mortgage a total of 3% of the amount
that that would cover 15% legal fees, 16% insurance fee on
commission -- I think it means the same, whichever
expression you use -- it includes my disbursement which
was approximately \$15.00 and it includes \$20.00 inspection
fee. I think we give the owner a little better service
in one way -- as I said, I send them bills and receipts.
A lot of people don't do that. The regular amount -- you
maybe just send them in a bill of charges and they get
them through. Nobody gets a bill, nobody gets a receipt.
But I have found over the years that the average man is
willing to get a bill and a receipt. He likes to



1 they come back with real estate deals when they sell
2 their home because of a friendly business relationship
3 that you establish. Because people do want to know what
4 they are paying. If there is anything in the practice
5 of mortgage brokers which has come before this Committee
6 it is a form of concealment where the people don't
7 completely know what it is costing them. This must be
8 corrected. I have several suggestions, some of which I
9 made earlier. Mr. Commen of the Attorney General's
10 Department phoned me up a couple of years ago before the
11 Act and they wanted me and a couple of other lawyers
12 to come and give them some advice and I am very strong
13 on one point that I don't know if anyone mentioned at
14 this hearing at any time. I was only here today, only
15 what I read in the newspaper. People dealing with their
16 home or with their life savings -- to go even dramatic
17 on it -- should in all cases receive independent legal
18 advice. This I am a firm believer in and I told Mr.
19 Commen more than two years ago. This is not a man buying
20 a pair of shoes that he is not happy with, for \$10 or \$15.
21 It might mean his life savings. Mortgages run in
22 thousands, they don't run in small sums of money and we
23 have, in Ontario, about 5500 lawyers, if I know correctly
24 and there are plenty of lawyers who would be very happy
25 to get that advice. I don't mind if people pay a few
26 dollars to get it. This is false economy for a mortgagor
27 or owner to save a five or ten dollar bill because he
28 might save hundreds or maybe even more, because -- of
29 course a lot of mortgage brokers wouldn't like this idea
30



1
2
3
4 they are paying. It there is anything in the policies
5 of mortgage brokers which has come before this Committee
6 it is a form of concealment where the people don't
7 completely know what it is covering. There must be
8 connected. I have several suggestions, none of which I
9 made earlier. Mr. Corman of the Attorney General's
10 Department phoned me up a couple of years ago before the
11 Act and they wanted me and a couple of other lawyers
12 to come and give them some advice and I am very strong
13 on one point that I don't know if anyone mentioned at
14 this hearing at any time. I was only here today, only
15 what I read in the newspaper. People dealing with their
16 home or with their life savings -- to go even dramatic
17 on it -- should in all cases receive independent legal
18 advice. This I am a firm believer in and I told Mr.
19 Corman more than two years ago. This is not a new policy
20 a pair of shoes that he is not happy with, for \$10 or \$15
21 it might mean his life savings. Newspapers run in
22 thousands, they don't run to small sums of money and we
23 have, in Georgia, about 2500 lawyers. If I know anything
24 and there are plenty of lawyers who would be very happy
25 to get that advice. I don't mind if people pay a few
26 dollars to get it. This is false economy for a mortgage
27 or owner to save a five or ten dollar bill because he
28 might save hundreds or maybe even more, because -- of



1 because if people go to a lawyer then the lawyer might
2 steer the business away from them. Why go and pay this
3 man altogether six or seven hundred dollars when you can
4 get it done for two hundred dollars perhaps. Many
5 mortgage brokers who make a living only being a mortgage
6 broker, which I don't do,--I am a lawyer and I don't have
7 to be a mortgage broker, but I am because as a practice
8 you do a lot of mortgage business. They called me up --
9 Mr. Simone's office -- I think this was months after
10 the Act was out -- I didn't even make an application.
11 I says, "All right, if you, if the Department thinks so,
12 fine and dandy", and that's why I'm a mortgage broker.
13 But I thought I could operate as a lawyer, charge a
14 commission, disbursements and legal fees and that's what
15 I have been doing all the years before the Act ever
16 came in force. And I'm very strongly in favour -- I'm
17 going to make three suggestions here -- and I hope they
18 receive due consideration, which I am sure they will.

19 Now the big point which I am in favour of,
20 maybe because of being a lawyer that I have that attitude,
21 is I would like that every mortgage on real estate should
22 have a certificate attached to it in which a lawyer,
23 acting for the mortgagor other than the mortgagee's
24 lawyer, should certify that he explained the complete
25 contents, costs and everything to the owner and he is
26 satisfied that he fully understood everything and he
27 signed everything on a voluntary basis. And I would
28 prefer that that very lawyer should witness the signatures
29 and take the affidavits. Then he can send it in to the
30



1 lawyer acting for the mortgagee. This is one of my very
2 good suggestions. I suggested that a few years ago about
3 independent legal advice. A man goes into a mortgage
4 broker --the milkman of yesterday being the mortgage
5 broker of today -- how can a man trust his life savings
6 to some who might be unscrupulous. Naturally the majority
7 of mortgage brokers are very fine and honourable people
8 trying to make a living like a real estate agent or
9 anybody else who works on commission. But for the sake
10 of the few that may be very unscrupulous, that might have
11 all kinds of hidden charges and interest and all that
12 sort of thing, then let a man -- this is an important
13 thing, his home, to him, this isn't even a car, which
14 he might make a mistake on, but this is a big thing, it's
15 the very roof over his head. And I know the law
16 profession would absolutely cooperate. I have discussed
17 this with many lawyers and they all agree. I am told
18 a few years ago one of our justices of the Supreme Court
19 made such a suggestion too and I was very pleased to
20 hear that along those lines other legal minds have
21 thought. Now if this rule were put down, that would
22 eliminate a lot of trouble. That's only one of the
23 suggestions I am going to make.

24 Now, if I know correctly, and I don't deal
25 with the Small Loan Act in any way, so I only know, if I
26 am right, that they apply only up to \$1500.00, in my
27 recollection. I think it puts a total limit of a 12%
28 charge on the loan up to \$1500.00 which includes fees,
29 commission, anything at all, interest -- whatever way you
30



1 lawyer acting for the mortgagor. This is one of my very
2
3 independent legal advice. A man goes into a mortgage
4 broker -- the milkman of yesterday being the mortgage
5 broker of today -- how can a man trust his life savings
6 to some who might be unscrupulous. Naturally the majority
7 of mortgage brokers are very fine and honorable people
8 trying to make a living like a real estate agent or
9 anybody else who works on commission. But for the sake
10 of the few that may be very unscrupulous, that might have
11 all kinds of hidden charges and interest and all that
12 sort of thing, then let a man -- this is an important
13 thing, his home, to him, this isn't even a car, which
14 he might make a mistake on, but this is a big thing, it is
15 the very roof over his head. And I know the law
16 profession would absolutely cooperate. I have discussed
17 this with many lawyers and they all agree. I am told
18 a few years ago one of our justices of the Supreme Court
19 made such a suggestion too and I was very pleased to
20 hear that along those lines other legal minds have
21 thought. Now if this rule were put down, that would
22 eliminate a lot of trouble. That is only one of the
23 suggestions I am going to make.
24 Now, if I know correctly, and I don't feel
25 with the Small Loan Act in any way, so I only know, it is
26 am right, that they apply only up to \$100.00, in my
27 recollection. I think it puts a total limit of a 12 1/2
28
29 commission, anything at all, interest -- whatever was



1 do it it mustn't total more than 12%. Now a lot of
2 these people who are getting \$3,000 mortgages for two,
3 and all that, they face a situation -- when a man has
4 a bunch of debts this \$1500 rule isn't much good nowadays.
5 Money, with prices going up and money changing its value,
6 --my suggestion would be that the Small Loan Act should
7 go up to \$3,000. That's my opinion. Putting a limit
8 of 12% up to \$3,000, that will eliminate an awful lot of
9 trouble. It's going on -- you gentlemen here saw many
10 different witnesses.

11 Now, there is another thing I would suggest
12 to the Department, and that was to the Mortgage Brokers'
13 Department, that when I see some of the charges made by
14 mortgage brokers it startles me. It actually startles
15 me. And yet I can't think of where I can find a law
16 that says they are breaking the law. That bothers me
17 very much. So my suggestion was that there should be
18 a fixed rate limiting the amount that a mortgage broker
19 can charge, whether it's 2% or 3%. You heard Mr. Latimer
20 earlier today. I think what he charges runs about 2%.
21 It seems to me like a pretty fair amount for a mortgage
22 broker. If it's a \$5,000 loan he gets \$100.00, if it's
23 \$10,000 he gets \$200.00. It costs a good deal of money
24 to run an office and expenses and they advertise, I
25 imagine -- 2% would not be out of line. Perhaps there
26 would be some arguments in favour of making it a little
27 higher, 2½ or 3. But I think 2% would be a very fair --
28 because he doesn't have a client with the money, he
29 only phones up a lawyer who has a client. But nine times
30



do it it mustn't total more than 12%. Now a lot of
these people who are getting \$3,000 mortgages for two
and all that, they face a situation -- when a man has
a bunch of debts this \$7500 rule isn't much good nowadays
--my suggestion would be that the small loan should
go up to \$3,000. That's my opinion. Putting a limit
of 12% up to \$3,000, that will eliminate an awful lot of
trouble. It's going on -- you gentlemen here see many
different things.
Now, there is another thing I would suggest
to the Department and that was to the Mortgage
Department, that when I see some of the charges made by
mortgage brokers it astounds me. It actually astounds
me. And yet I can't think of where I see this a lot
that says they are breaking the law. These brokers are
very much. So my suggestion was that there should be
a fixed rate limiting the amount that a mortgage broker
can charge, whether it's 10 or 15. The same in, I think
earlier today. I think what he charges must be about 10.
It seems to me like a pretty fair amount for a mortgage
broker. If it's a \$5,000 loan at a 4.00%, it's a
\$10,000 he gets \$200.00. It seems a good deal of money
to run an office and expenses and they advertise, I
imagine -- 2% would not be out of line. Perhaps there
would be some arguments in favor of taking it a little
higher, 2 1/2 or 3. But I think 2% would be a very fair --
because he doesn't have a client with the money, he
only phones up a lawyer who has a client. But one time



1 out of ten, not perhaps all the time, but most of the
2 time he would phone up a lawyer or lending institution,
3 so he isn't directly in the money, so to speak, he just
4 knows where to get the money which is very useful, of
5 course. He doesn't search the title, he doesn't guarantee
6 title and things like that. He certainly doesn't have
7 anything to do with the collection of payments like
8 with my office. We collect for all our clients. And
9 he should get a fair fee, but the door shouldn't be
10 so wide open that he can do almost anything that some
11 weak and gullible and perhaps desperate person will agree
12 to do, not knowing that he should try turning in some
13 other direction. We just heard today, while I was
14 waiting, that some of the advertisements are attractive
15 with low rates, but when you come down to the office you
16 often find that you are paying more. But in the meantime
17 this is a terrific lure, you know, 9% and it's very nice
18 for people who have prime loans to only charge 9. It's
19 a very reasonable rate but if a large number of those
20 people, let's say 50%, go out for a mortgage at 12% then
21 they are not getting such a big bargain after all. But
22 the big thing is, as has been pointed out, there is a
23 good deal of concealment and the word bonus is an
24 unfortunate word because the average person isn't trained,
25 like a bookkeeper or an accountant or even a lawyer, with
26 the word bonus. I was very happy to hear today about
27 the word amortization. I state that 99 people out of 100
28 don't know what the word means. I can't think of a more
29 difficult word to impose on the layman, lending money and
30



out of ten, not perhaps all the time, but most of the
time he would phone up a lawyer or leading institution,
so he isn't directly in the money, so to speak, he just
knows where to get the money which is very essential, of
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anything to do with the collection of payments like
with my office. We collect for all our clients. And
he should get a fair fee, but the door shouldn't be
so wide open that he can do almost anything that some
weak and glib and perhaps desperate person will agree
to do, not knowing that he should try turning in some
other direction. We just heard today, while I was
waiting, that some of the advertisements are attractive
with low rates, but when you come down to the office you
find that this is a terrific thing, you know, 99 and it's very nice
for people who have prime loans to only charge 9. It's
a very reasonable rate but it's a large number of those
people who have 99 and it's very nice, but they are not getting away a big bargain after all. But
the big thing is, as has been pointed out, there is a
good deal of concealment and the word bonus is an
unfortunate word because the average person isn't trained
like a bookkeeper or an accountant or even a lawyer, with
the word bonus. I was very happy to hear today about
the word amortization. I state that 99 people out of 100
don't know what the word means. I can't think of a more
difficult word to impose on the layman, leading money and



1 telling him it's on a 15-year amortization plan. That
2 word should be abolished as far as most people -- while
3 we gentlemen understand it, what about the public. They
4 don't know what it means and truthfully they think it's
5 a fifteen year mortgage. I have had so much grief over
6 the years. I remember years ago writing to the Department
7 and saying to them, "When a man sells his home it is a
8 very serious piece of business and he should always have
9 a chance to consult with his lawyer before he makes a
10 binding agreement, not rest on the principles, perhaps
11 of an agent who might be unscrupulous, write down things
12 that aren't right. Let this man know, if God didn't give
13 him his own good sense to know to go and see his lawyer."
14 Some people do -- 20 or 25% of the people do know that
15 by their own native intelligence but what about all the
16 other people that the law must come out and protect. They
17 need legislation so they should be protected and I presume
18 that's what you gentlemen are going to do. Now that's
19 the three major suggestions that I would like to offer
20 and I have been 34 years in the mortgage business.

21 MR. SEDGWICK: You are now a registered
22 mortgage broker, are you?

23 MR. TAUBE: That's right.

24 MR. SEDGWICK: The Committee had a Mr.
25 Rosenberg here a couple of days ago and he said that all
26 his business was directed to you as the lawyer, would
27 you agree?

28 MR. TAUBE: That is completely untrue, sir.
29 I refused at all times to be his lawyer and he uses other
30

1 selling him it's on a 15-year amortization plan. That
2 word should be abolished as far as most people -- while
3 we gentlemen understand it, what about the public. They
4 don't know what it means and truthfully they think it's
5 a fifteen year mortgage. I have had so much grief over
6 the years. I remember years ago writing to the Department
7 and saying to them, "When a man sells his home is he a
8 very serious piece of business and he should always have
9 a chance to consult with his lawyer before he makes a
10 binding agreement, not rest on the principles, perhaps
11 of an agent who might be unscrupulous, write down things
12 that aren't right. But this man knew, if God didn't give
13 him his own good sense to know so to and see his lawyer."
14 Some people do -- 20 or 25% of the people do know that
15 by their own native intelligence but what about all the
16 other people that the law must come out and protect. They
17 need legislation so they would be protected and I presume
18 that's what you gentlemen are going to do. Now there's
19 the three major suggestions that I would like to offer
20 and I have been 34 years in the mortgage business.
21 MR. SEDGWICK: You are now a negotiator
22 mortgage broker, are you?
23
24 MR. SEDGWICK: The Committee had a Mr.
25 Rosenberg here a couple of days ago and he said that all
26 his business was directed to get an attorney, would
27
28 MR. TAUBER: That is completely untrue, sir.
29 I refused at all times to be his lawyer and he used other



1 lawyers, the names of whom I know.

2 MR. SEDGWICK: Have you done some business
3 with him?

4 MR. TAUBE: Well, he phones me up when he
5 has a satisfactory first mortgage at $7\frac{1}{2}\%$ if he thinks
6 that I can place it with a client of mine. I do anywhere
7 up to two mortgages per month that way for him, sir, I
8 do. I do, for my part, only first mortgages for him.

9 MR. SEDGWICK: You charge, you say --

10 MR. TAUBE: I charge 3%.

11 MR. SEDGWICK: Is it amount or legal fee --

12 MR. TAUBE: And finder's fee, inspection
13 fee and a disbursement, yes.

14 MR. SEDGWICK: Do you know that Mr. Rosenberg
15 charges, in addition to that, a broker's fee?

16 MR. TAUBE: A very heavy one, yes. I was
17 aware of that and I was very much disturbed about it and
18 yet, as I said before, I don't know where there was a
19 law, sir, that made this man unlawful in what he did.
20 This I couldn't find.

21 MR. SEDGWICK: I was not thinking of that. How
22 was his fee paid?

23 MR. TAUBE: Well, I would pay it, pursuant
24 to directions.

25 MR. SEDGWICK: (Inaudible)

26 MR. TAUBE: Oh, yes, in these mortgages
27 which I place for my clients.

28 MR. SEDGWICK: So that when these mortgage
29 lenders take \$5,000 as a payment, the face of the
30



1. [Illegible text]

2. MR. SEDGWICK: Have you done some business

3. [Illegible text]

4. MR. TAUBER: Well, he phoned me up when he

5. has a satisfactory first mortgage at 1% he thinks

6. that I can place it with a client of mine. I do anywhere

7. up to two mortgages per month that way for him, and I

8. do. I do, for my part, only first mortgages for him.

9. MR. SEDGWICK: You charge, you say --

10. MR. TAUBER: I charge 3%.

11. MR. SEDGWICK: Is it amount or legal fee --

12. MR. TAUBER: And finder's fee, negotiation

13. fee and a disbursement, yes.

14. MR. SEDGWICK: Do you know that Mr. Rosenberg

15. charges, in addition to that, a broker's fee?

16. MR. TAUBER: A very heavy one, yes. I was

17. aware of that and I was very much disturbed about it and

18. yet, as I said before, I don't know where there was a

19. law, sir, that made this man unethical in what he did.

20. This I couldn't find.

21. MR. SEDGWICK: I was not thinking of that. He

22. was his fee paid?

23. MR. TAUBER: Well, I would pay it, pursuant

24. to directions.

25. MR. SEDGWICK: (Inaudible)

26. MR. TAUBER: Oh, yes. In those instances

27. when I place for my clients.

28. MR. SEDGWICK: So that when these mortgages

29. lenders take \$5,000 as a payment, the "fee" of the



1 mortgage, on closing you would deduct your 3%?

2 MR. TAUBE: That is correct, sir.

3 MR. SEDGWICK: And then you would pay something
4 like \$500.00 --

5 MR. TAUBE: No, he would get -- it wouldn't
6 be that much.

7 MR. SEDGWICK: How much?

8 MR. TAUBE: Here is, from what I have noticed
9 in the times, he would get his commission, brokerage,
10 or whatever it is, whatever he called it, was twice
11 the amount that I got. He would get \$300.00.

12 MR. SEDGWICK: He would get \$300.00?

13 MR. TAUBE: He would get \$300.00. I would
14 get \$150.00.

15 MR. SEDGWICK: You would get \$150.00 if you
16 had to do the legal work?

17 MR. TAUBE: Anything, sir, find the money,
18 anything.

19 MR. SEDGWICK: And you knew that he was
20 getting \$300.00 over and above that?

21 MR. TAUBE: That is right, sir, the people
22 had all agreed --

23 MR. SEDGWICK: I know that.

24 MR. TAUBE: See, the document to which they
25 agreed --

26 MR. SEDGWICK: Did it occur to you to tell
27 the borrower that they were paying too dearly for their
28 parcel?

29 MR. TAUBE: Well, I thought they were paying
30



on closing you would deduct your 3%

MR. TAUBER: That is correct, sir.

MR. SEDGWICK: And then you would pay something

Law \$250.00

MR. TAUBER: Yes, sir, that is right.

be that much.

MR. SEDGWICK: How much?

MR. TAUBER: Here is, from what I have noticed

in the times, he would get his commission, brokerage,

or whatever it is, whatever he called it, was twice

the amount that I got. He would get \$300.00.

MR. SEDGWICK: He would get \$300.00?

MR. TAUBER: He would get \$300.00. I would

get \$150.00.

MR. SEDGWICK: You would get \$150.00 if you

had to do the legal work?

MR. TAUBER: Yes, sir, that is right.

MR. SEDGWICK: And you knew that he was

getting \$300.00 over and above that?

MR. TAUBER: That is right, sir, the people

had all agreed --

MR. SEDGWICK: I know that.

MR. TAUBER: So, the agreement to which they

agreed --

MR. SEDGWICK: Did it occur to you to feel

that the agreement was not a fair one?

Yes, sir.

MR. TAUBER: Yes, sir, that is right.



1 very heavily, sir, I did, and I was disturbed, but I
2 wasn't aware of what I could do about it.

3 MR. SEDGWICK: Did you suggest that they
4 seek independent legal advice?

5 MR. TAUBE: No, I never told these people.
6 Some of them went. There was one case of a family,
7 I think on Ellsworth Avenue if I remember the address
8 correctly, where they went to a lawyer and he immediately
9 raised a howl about it. When he called me up I says,
10 "Your people don't want the loan, I agree with you that
11 the rates are completely unreasonable but I don't know
12 what I can do. I had nothing to do with the signing
13 of the Statement of Mortgage, I didn't set this mortgage
14 up at all. I just found a client who is going to take
15 the mortgage at $7\frac{1}{2}\%$." I says, "If you want the papers
16 back I will mail them to you", and I mailed all the
17 papers back, that's what I did. I did quite a bit of
18 work and I didn't get paid a nickel for it.

19 MR. SEDGWICK: It occurred to me though that
20 you might have told Rosenberg that his fees were grossly
21 overrated?

22 MR. TAUBE: I did, many times, many times I
23 told him but he said, "I have to charge that much. I
24 have a big overhead, otherwise I can't operate".

25 MR. SEDGWICK: So you continued to be the
26 funnel through which the money was paid?

27 MR. TAUBE: Well, there were about two cases
28 a month. I don't know how many he has a month, he must
29 have many, he must have many. I think that a great
30 many, the majority of his cases, are second mortgage deals.



1 very heavily, also, I did, and I was disturbed, but I
2 wasn't aware of what I could do about it.

3 MR. SMITHSON: Did you suggest that they

4 MR. TAUBER: No, I never told those people.

5 Some of them went. There was one case of a family.

6 I think on Elmwood Avenue if I remember the address

7 correctly, where they went to a lawyer and he immediately

8 raised a howl about it. When he called me up I said,

9 "Your people don't want the loan, I agree with you that

10 the rates are completely unreasonable but I don't know

11 what I can do. I had nothing to do with the signing

12 of the Statement of Mortgage. I didn't get this mortgage

13 up at all. I just found a client who is going to take

14 the mortgage at 7 1/2%." I says, "If you want the papers

15 back I will mail them to you", and I mailed all the

16 papers back, that's what I did. I did quite a bit of

17 work and I didn't get paid a nickel for it.

18 MR. SEDGWICK: It occurred to me though that

19 you might have told Rosenberg that his fees were grossly

20 overrated?

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22 told him but he said, "I have to charge that much. I

23 have a big overhead, otherwise I can't operate."

24 MR. SEDGWICK: So you continued to be the

25 tunnel through which the money was paid?

26 MR. TAUBER: Well, there were about two cases

27 a month. I don't know how many he has a month, he must

28 have many, he must have many. I don't know how many

29 but the majority of his cases, I don't know how many



1 I'd say 75 to 80% or maybe more because if he only had
2 a few seconds and a few firsts he could never pay his
3 overhead, not even half of it. He must have many
4 mortgages and --

5 MR. SEDGWICK: I understand he was getting
6 something like three to five hundred dollars of mortgage
7 loans --

8 MR. TAUBE: Well, from my office he might
9 get around get around twice three hundred, he might get
10 around six or seven hundred a month, two cases, from my
11 office, that's all he gets from me. What other business
12 he transacts through other lawyers on second mortgages
13 or on firsts maybe, I don't know. He may give me all
14 the firsts he has because he doesn't get many firsts. He
15 does get many second mortgage loans.

16 MR. SEDGWICK: For which he charges how much,
17 do you know?

18 MR. TAUBE: Well, I don't know, just a minute.
19 Well I did some seconds about, oh about a year and a
20 half ago for him. I'd say he charged double the amount
21 which we charged. On a second mortgage which I did for
22 him I charged, on a five year second mortgage I charged
23 5% of the amount.

24 MR. SEDGWICK: Why is it more?

25 MR. TAUBE: Well, because second mortgages
26 are harder to place, sir. They are harder to look after.

27 MR. SEDGWICK: Why does he get anything in
28 view of the fact that you handle it?

29 MR. TAUBE: Well, he said that he has to get
30



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MR. SEDGWICK: I understand he was selling

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MR. TAUBER: Well, from my office he didn't

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do you know?

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view of the fact that you handle the

MR. TAUBER: Well, he said that he has to



1 paid, and he got the application. He got the application
2 and he had the people agree to pay him that amount of
3 money. They were very foolish to do so and I told him
4 he was charging an exorbitant amount.

5 MR. SEDGWICK: Didn't it occur to you to tell
6 the people who were borrowing the money that they were
7 being --

8 MR. TAUBE: Well, I wasn't acting for them.

9 MR. SEDGWICK: I know, but --

10 MR. TAUBE: I was acting for the mortgagee.

11 MR. SEDGWICK: You told us you suggest strongly
12 that everyone borrowing under those circumstances should
13 have independent legal advice --

14 MR. TAUBE: I recommend that very highly.

15 MR. SEDGWICK: Wouldn't it have been very easy
16 to say to these people, these borrowers who were being
17 so sadly put upon, "I don't want you to take my advice,
18 I can't give it, but you should have advice"?

19 MR. TAUBE: Well, I didn't think that I
20 could do that. Mr. Rosenberg was on that side of the
21 fence and I was on my side. I didn't think I could step
22 into his side of the fence. I didn't think it was --
23 although I could just cut him off and do no business and
24 that's the end of it.

25 MR. SEDGWICK: You said that you knew the
26 advice that he was giving them was very bad?

27 MR. TAUBE: Well, I don't know. I was never
28 there when they discussed it. I never had a chance to
29 hear what they said.

30



and he had the people agree to pay him that amount of money. They were very foolish to do so and I told him he was charging an exorbitant amount.

MR. SEBASTIAN: Didn't it occur to you to tell the people who were borrowing the money that they were being --

MR. TAUBER: Well, I wasn't asked for them.

MR. SEBASTIAN: I know, but --

MR. TAUBER: I was asking for the mortgage.

MR. SEBASTIAN: You told us you suggest should

that everyone borrowing under these circumstances should have independent legal advice --

MR. TAUBER: I recommend that very highly.

MR. SEBASTIAN: Wouldn't it have been very easy

to say to these people, these borrowers who were being so badly put upon, "I don't want you to take my advice, I can't give it, but you should have advice?"

MR. TAUBER: Well, I didn't think that I

could do that. Mr. Rosenberg was on that side of the fence and I was on my side. I didn't think I could step into his side of the fence. I didn't think it was -- although I could just cut him off and do no business and that's the end of it.

MR. SEBASTIAN: You said that you knew the

advice that he was giving them was very bad?

MR. TAUBER: Well, I don't know. I was never

hear what they said.



1 MR. SEDGWICK: You knew they were paying
2 exorbitant fees?

3 MR. TAUBE: This I am sure of, yes.

4 MR. SEDGWICK: Yet it never occurred to you
5 to say to them, however, "I think you should seek legal
6 advice, do not be guided by Mr. Rosenberg because his
7 advice is bad"?

8 MR. TAUBE: Because he charged a lot, you
9 mean?

10 MR. SEDGWICK: Well, don't you think that's
11 giving bad advice, to charge exorbitant amounts?

12 MR. TAUBE: Well, not on my part. I had
13 nothing to do with it.

14 MR. SEDGWICK: No, but the money was paid
15 through you?

16 MR. TAUBE: Well, the people seemed to be
17 very happy, those I ever met.

18 MR. SEDGWICK: The ones who complained to
19 Mr. Simone weren't happy at all.

20 MR. TAUBE: Well, one that I knew of, I think
21 on Ellsworth Avenue, I don't remember the name, I remember
22 that address only, it was a very good mortgage for \$8,000
23 and, as I said, when the people went to their lawyer
24 and he must have told them, "This is ridiculous, you can
25 get it for a lot less money through any lending insti-
26 tution". The perfect case where they could have gotten
27 the mortgage for 7% instead of 7½ and, of course, about
28 a third of the charges, or less.

29 MR. SEDGWICK: How much was Mr. Rosenberg
30 charging in that instance?



MR. SEDGWICK: You knew they were paying

amounts (over)

MR. TAUBER: This I am sure of, yes.

MR. SEDGWICK: Yet it never occurred to you

to say to them, however, "I think you should seek legal

advice, do not be guided by Mr. Rosenberg because his

advice is bad?"

MR. TAUBER: Because he changed a lot, you

MR. SEDGWICK: Well, don't you think that's

Giving bad advice, to charge exorbitant amounts?

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Mr. Simone weren't happy at all.

MR. TAUBER: Well, one that I know of, I think

on Elmwood Avenue, I don't remember the name, I remember

that address only, it was a very good mortgage for \$1,000

and, as I said, when the people went to their lawyer

and he must have told them, "This is ridiculous, you can

get it for a lot less money through my lending insti-

tution". The perfect case where they could have gotten

the mortgage for 7% instead of 12% or, of course, about

a third of the charges, or less.

MR. SEDGWICK: How much was Mr. Rosenberg



1 MR. TAUBE: Well, in that instance, mine
2 would be 3% of \$8,000, would be \$240.00, his would have
3 been \$480.00 then, I think. Yes, his would be \$480.00.
4 Which is a very exorbitant -- that's the reason I say
5 there should be a limitation.

6 MR. SEDGWICK: It's preposterous, isn't it?

7 MR. TAUBE: Very much so and I told him and I
8 was very unhappy about it, but I didn't think that I
9 could go behind the man who sends me in an application
10 which for -- as I say I have given mortgages to many
11 clients of mine who are elderly widows and they want a
12 good mortgage case so there is no reason why I should
13 turn it down, if the people seem to be so very very
14 foolish to pay such high rates, but the law should
15 protect people who can't think for themselves.

16 MR. SEDGWICK: It occurs to me, Mr. Taube,
17 that you might have tried to protect them.

18 MR. TAUBE: Well, I never thought of it that
19 way, sir. I was acting for the mortgagee, not for the
20 mortgagor. And there being no law requiring -- that's
21 why I say there should be a law requiring the mortgagor
22 to have his own Solicitor too.

23 MR. BELANGER: And you were in business also?

24 MR. TAUBE: Well, I want to get first mortgages
25 for clients if I can on my normal rate, the way I charge
26 and that's all. I always welcome a good application
27 because we have lots of money available from private
28 sources and frankly there aren't too many good mortgages
29 around.
30



MR. TAYLOR: Well, in that instance, mine would be 3% of \$8,000, would be \$240.00, his would have been \$480.00 then, I think. Yes, his would be \$480.00. Which is a very exorbitant -- that's the reason I say there should be a limitation.

MR. SEDGWICK: It's preposterous, isn't it?

MR. TAYLOR: Very much so and I told him and I was very unhappy about it, but I didn't think that I could go behind the man who sends me in an application which for -- as I say I have given mortgages to many clients of mine who are elderly widows and they want a good mortgage case so there is no reason why I should turn it down, if the people seem to be so very foolish to pay such high rates, but the law should protect people who can't think for themselves.

MR. SEDGWICK: It occurs to me, Mr. Taylor, that you might have tried to protect them.

MR. TAYLOR: Well, I never thought of it that way, sir. I was acting for the mortgagee, not for the mortgagor. And there being no law requiring -- that's why I say there should be a law requiring the mortgagor to have his own Solicitor General.

MR. SEDGWICK: And you were in no way at all?

MR. TAYLOR: Well, I want to get these mortgages for clients if I can on my normal rates, the way I usually and that's all. I always without a good application because we have lots of money available from private sources and frankly there aren't too many good mortgages around.



1 MR. BELANGER: Like Mr. Sedgwick said, you
2 knew very well what the operation Mr. Rosenberg --

3 MR. TAUBE: Oh, I knew he was charging very
4 high --

5 MR. BELANGER: You didn't try to protect
6 the interests of the people, you were just saying you were
7 in business too, therefore --

8 MR. TAUBE: Well, I did my law work accurately,
9 sir, mortgages to be paid off, taxes for bills, etc. If
10 anyone ever asked me to pay off accounts to finance
11 companies, they gave me a bill or statement. I said, "If
12 you want me to send out cheques for you I will be glad
13 to do it at no extra charge". The majority of times
14 I said, "Please pay it off yourself, perhaps you can
15 dicker and get a discount or something". I wasn't
16 concerned about the personal, except to help them if
17 they wanted me to send in the cheques for them. As I
18 say, that's only one or two mortgages -- two would be
19 about a maximum -- a month that I have, first mortgages.
20 That's all that I do, I think.

21 MR. WHITE: Now you say that (voice inaudible)
22 What percentage of your business is mortgage business
23 and what percentage would you say was as a Solicitor?

24 MR. TAUBE: Oh, I would say mortgage work
25 would be approximately 40%, some months might be 50%
26 and the rest is general law practice.

27 MR. WHITE: Well, is your law firm and your
28 second mortgage firm on the same --

29 MR. TAUBE: Well, I'm a one man -- never had
30



MR. BELMONT: Like Mr. Seligman said, you

knew very well what the operation Mr. Rosenberg --

MR. TAUBER: Oh, I knew he was operating with

him --

MR. BELMONT: And that was the point

the interests of the people you were just saying you were

in business too, therefore --

MR. TAUBER: Well, I did my law work exclusively

in mortgages to be paid off, taxes for bills, etc. I

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you want me to send out checks for you I will be glad

to do it at no extra charge". The majority of times

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discount and get a discount on something". I wasn't

concerned about the personal, except to help them if

they wanted me to send in the checks for them. As I

said, that's only one or two mortgages -- two would be

about a maximum -- a month that I have, first mortgages.

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MR. WHITE: Now you say that (voice inaudible)

What percentage of your business is mortgage business

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MR. TAUBER: Oh, I would say mortgage work

would be approximately 40%, some months might be 50%

and the rest is general law practice.

MR. WHITE: Well, is your law firm and your

second mortgage firm on the same --

MR. TAUBER: Well, I'm a one man -- never had



1 a partner -- always by myself. One man, my own place
2 at Bathurst and Bloor and no partners.

3 MR. REILLY: You have a staff, of course?

4 MR. TAUBE: I have a bookkeeper there part-
5 time and several stenographers, part-time.

6 MR. REILLY: You have a servicing business
7 as well, Mr. Taube, you service accounts?

8 MR. TAUBE: Well, I send out bills and I send
9 out a receipt.

10 MR. REILLY: Do you have a flat rate for
11 this service?

12 MR. TAUBE: Yes -- to the client -- to the
13 mortgagee, not to the borrower.

14 MR. REILLY: This is to the person who has
15 funds with you?

16 MR. TAUBE: That's right. That nearly defrays
17 the expense. It's about \$1.50 a payment to the cost,
18 and I charge \$1.00.

19 MR. REILLY: Is this on a monthly basis?
20 Or quarterly? Whenever the payment comes in?

21 MR. TAUBE: Well, some of the mortgages are
22 monthly, amortized, but I would say about two out of
23 every three are quarterly. It's only when somebody
24 negotiates a mortgage to me that they set it up for
25 monthly and I can't change it, but I do try to keep it
26 on a quarterly payments myself. But I can't control
27 that, you see.

28 MR. REILLY: Are most of your invested funds
29 on that basis? Do they service most of your invested
30



1 A pattern -- always in shape -- and the same way
2 at intervals and always in the same way.
3 In shape -- always in shape -- and the same way.
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13 mortgagee, not to the borrower.
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15 funds with you?
16 MR. TAUBER: That's right. That's nearly always
17 the expense. It's about \$1.50 a payment to the bank,
18 and I charge \$1.00.
19 MR. REILLY: Is this on a monthly basis?
20 Or quarterly? Whenever the payment comes in?
21 MR. TAUBER: Well, some of the mortgages are
22 monthly, quarterly, and I would say some are
23 every three are quarterly. It's only when somebody
24 negotiates a mortgage to me that they set it up for
25 monthly and I can't change it, but I do try to keep it
26 on a quarterly payments myself. But I can't control
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28 MR. REILLY: Are most of your invested funds
29 on that basis? Do they service most of your invested



1 ~~THESE~~ FUNDS?

2 MR. TAUBE: What do you mean? You mean my
3 clients?

4 MR. REILLY: Yes.

5 MR. TAUBE: Yes. I don't personally lend
6 money on mortgages.

7 MR. REILLY: You don't?

8 MR. TAUBE: No. I wish I could.

9 MR. SEDGWICK: Mr. Taube, do you insure
10 your mortgages?

11 MR. TAUBE: No, just the properties, not
12 the mortgage itself. No insurance, no, nothing at all
13 like that. Never thought about it. I understand that
14 some people do, but we don't. No association with
15 insurance at all, just the property. Make sure we have
16 enough insurance to cover the mortgage.

17 MR. REILLY: This is a standard rate, is it,
18 3% on firsts and 5% on seconds.

19 MR. TAUBE: That's right. I've been working
20 like that for years, through lawyers and everybody, and
21 never had any complaints or difficulties at all.

22 MR. REILLY: On second mortgages would you
23 charge more than 5%, according to the risk?

24 MR. TAUBE: No, no, no. I try to keep it at
25 that, pretty uniform. It would only be less if I couldn't
26 get somebody -- well, that's all we've got, it's got to
27 be 4 -- well there would be no argument if it's a good
28 investment. But we try to get -- in that way I can get
29 enough fees to run an office on.
30



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MR. SEDGWICK: Mr. Tauber, do you know

from mortgages?

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the mortgage itself. No insurance, no, nothing at all.

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be it -- well there would be no argument if it was a good

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enough fees to run an office on.



1 MR. BUKATOR: Mr. Chairman, I would like to
2 ask Mr. Taube, if there is a first mortgage on a
3 property --

4 MR. TAUBE: First mortgage?

5 MR. BUKATOR: A first mortgage, and then a
6 small second and the investor, your client, in this case
7 Mr. Rosenberg would bring to you, would like to
8 consolidate the two into one mortgage. And you find a
9 client ready and willing to invest that money in that
10 one mortgage. Have you ever heard of a case where a
11 second mortgage is bought up by, let's say in this
12 case by Mr. Rosenberg, by way of illustration I mean,
13 at a discount and then charging back to the --

14 MR. TAUBE: No, I never had such a situation.

15 MR. BUKATOR: Never did?

16 MR. TAUBE: Never.

17 MR. BUKATOR: There are times that a man
18 who has a property finds himself in a serious situation
19 financially by owing many people, such as you mentioned
20 earlier in your statement. Have you ever known of cases
21 where an investor would buy up these debts at a discount?

22 MR. TAUBE: Never heard of such a thing. I
23 think you mentioned it earlier in the day. I have never
24 heard of a case of that kind.

25 MR. BUKATOR: I'm looking for someone who
26 might have heard -- I have heard of cases.

27 MR. TAUBE: No, I'm sorry. I wish I could
28 help you. I have never heard of such a thing.

29 THE CHAIRMAN: Mr. Lawrence?
30



MR. BUKATOR: Mr. Chairman, I would like to

ask Mr. Taube, if there is a first mortgage on a

property --

MR. TAUBE: First mortgage.

MR. BUKATOR: A first mortgage, and then a

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might have heard -- I have heard of cases.

MR. TAUBE: No, I'm sorry. I wish I could

help you. I have never heard of such a thing.

THE CHAIRMAN: Mr. Bukator.



1 MR. LAWRENCE: You are certain about the
2 fees as you quoted in that material here that you are
3 sure it is a fee of 3% and 5% on firsts and seconds?

4 MR. TAUBE: That's right.

5 MR. LAWRENCE: I thought Mr. Rosenberg
6 indicated the other day that on certain second mortgage
7 transactions they paid \$50.00. This would be untrue?

8 MR. TAUBE: Oh, I'll tell you what that is.
9 I can explain. The reporting on that item was not very
10 happy. It was incomplete, therefore it wasn't very
11 satisfactory. I think they mentioned about 3% on me
12 for legal fees, well, that isn't true. Legal fee is
13 part of it, so I mean, there is everything there, even
14 disbursements. Now, let's go on to the other. What I
15 think he does, I think he told me about it, was that
16 he gets somebody, a client of his own, to lend the
17 money at 12% and he takes all the money that he charges
18 less what he pays the lawyer for certain types of
19 transactions, so he just pays the nominal amount of
20 \$50.00 to include disbursements.

21 MR. LAWRENCE: He's done that with you?

22 MR. TAUBE: He did it a long time ago, for
23 a finance company chattel mortgage -- that's only a
24 fee and disbursements, nothing else. I mean he searches
25 the title, certifies it for the second mortgagee -- it
26 has nothing else to do with it.

27 MR. LAWRENCE: That's just an isolated
28 transaction?

29 MR. TAUBE: That's right, that's an isolated
30 one.



MR. LAWRENCE: You are certain about the

fact as you quoted in that material here that you are

not a lawyer and that you are not a

MR. TAMER: I think Mr. Lawrence

MR. LAWRENCE: I thought Mr. Lawrence

indicated the other day that on certain second mortgage

transactions they paid \$50.00. This would be wrong?

MR. TAMER: Oh, I'll tell you what that is.

I can explain. The reporting on that item was not very

happy. It was incomplete, therefore it wasn't very

correct. I think they omitted that it was

for legal fees, well, that isn't true, legal fees is

part of it, so I mean, there is everything there, even

disbursements. Now, let's go on to the other. When I

think he does, I think he told me about it, was that

he gets somebody, a client of his own, to lend him

money at 12% and he takes all the money that he charges

less what he pays the lawyer for certain types of

transactions, so he just pays the nominal amount of

\$50.00 to include disbursements.

MR. LAWRENCE: How does that work with you?

MR. TAMER: He did it a long time ago, for

a finance company which was a

fee and disbursements, nothing else. I mean he got

the title, certified it for use as a mortgage -- it

was nothing else to do with it.

MR. LAWRENCE: That's just an

transaction?

MR. TAMER: That's just an



1 MR. MACDONALD: Mr. Chairman, may I ask Mr.
2 Taube this question? In that 3% fee on the first
3 mortgage or 5 on the second, as I recall Mr. Rosenberg's
4 testimony, he said in a number of cases which were
5 related to him, that he had been involved in, that you
6 had done the inspection. Do you do the inspection?

7 MR. TAUBE: I do the inspection. When he
8 calls me up -- and he thinks it's okay. Like when
9 he says, "You know I have a good mortgage for you, Louie,"
10 So, I'll write down -- take a pad and write everything
11 down and I says, "Well, I'll go up and see the property
12 and if it's the way you say I'm pretty sure I can place
13 it". And generally four times out of five, even though
14 he may be a little higher, I am able to place it.

15 MR. MACDONALD: Are there occasions when you
16 have done the inspection for him?

17 MR. TAUBE: No, no. I do it only for my --
18 when he thinks it's a good loan. I'm not going to
19 drive up to -- most of his stuff is up in Scarboro --
20 that's a two hour trip up and back and I wouldn't go --
21 unless I think when he reports to me what he saw, what
22 he has, that it's good merchandise, I won't spend two
23 hours.

24 MR. MACDONALD: There weren't cases in which
25 you did all the inspection?

26 MR. TAUBE: No, I wouldn't do that. I'd be
27 foolish to do it, sir, because I would be wasting hours
28 of my time on the chance that it may be good or it may
29 not be good. That would be very foolish.

30 MR. MACDONALD: I will have to check the



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TAUBER: This question? In that it is on the first

mortgage or 5 on the second, as I recall Mr. Rosenberg's

testimony, he said in a number of cases which were

invested in him, that he had some twenty or thirty

had done the inspection. Do you do the inspection?

MR. TAUBER: I do the inspection. When he

calls me up -- and he thinks it's okay. Like when

he says, "You know I have a good mortgage for you, Louis,

So, I'll write down -- take a pad and write everything

down and I say, "Well, I'll go up and see the property

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drive up to -- most of his stuff is up in Boston --

that's a two hour trip up and back and I wouldn't go --

unless I think what he reports to me what he saw, what

he has, that it's a good one. I wouldn't spend two

hours.

MR. MACDONALD: That would be called an inspection

you did all the inspection.

MR. TAUBER: No, I wouldn't do that. I'd be

foolish to do it, sir, because I would be wasting money

or my time on the chance that it may be good or it may

not be good. That would be very foolish.

MR. MACDONALD: I still have to check it.



1 evidence, but my recollection was that in one or two of
2 the cases --

3 MR. TAUBE: I have no recollection of that,
4 sir, because I would be foolish to do that and I might
5 be wasting my time, otherwise there would be nothing
6 wrong. If a man tells me he's got a certain mortgage,
7 the first thing I say, "Well did you see the house?"
8 He says, "Yes". And I write everything down, solid brick
9 or frame or whatever he tells me and then I have something
10 to go on, but just to drive up on the chance that I
11 may like it or not, that would be very unwise. I haven't
12 got time to waste like that. It would be foolish.

13 MR. LETHERBY: Well, didn't he say, in front
14 of this Committee the other day, that on many occasions
15 now, that he didn't see the property at all but you,
16 Mr. Taube, did. He left everything to your judgment
17 and --

18 MR. TAUBE: Well, he left it to my judgment
19 if I was going to place the loan for my client, sure
20 it's my judgment.

21 MR. MACDONALD: This is not what I am talking
22 about though. Let's not be confused.

23 MR. TAUBE: Well I wouldn't know. I assume
24 always when he tells me the particulars that he has seen
25 the house. How else could he give me the information?

26 THE CHAIRMAN: If my recollection is correct,
27 his testimony was that in two or three of the cases that
28 were drawn to his attention that he had not seen them
29 and he relied completely on your inspection.

30



1 evidence, but my recollection was that in one or two of
2 the cases --

3 MR. TAYLOR: I have no recollection of that.

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5 be wasting my time, otherwise there would be nothing
6 wrong. It is a man tells me he's got a certain mortgage,
7 the first thing I say, "Well did you see the house?"

8 He says, "Yes". And I write everything down, and I said
9 to go on, but just to drive up on the chance that I
10 got time to waste like that. It would be foolish.

11 MR. LESTER: Well, didn't he say, in 1920
12 of this Committee the other day, that on many occasions
13 now, that he didn't see the property at all but you,
14 Mr. Taylor, did. He left everything to your judgment
15 and --

16 MR. TAYLOR: Well, he left it to my judgment
17 if I was going to place the loan for my client, and
18 it's my judgment.

19 MR. MACDONALD: To be not what I am saying
20 about thought. Let's not be confused.

21 MR. TAYLOR: Well I wouldn't know, I saw
22 always when he tells me the particulars that he has seen
23 the house. How else could he give me the information?

24 THE CHAIRMAN: If my recollection is correct,
25 his testimony was that in two or three of the cases that
26 were drawn to his attention that he had not seen them
27 and he relied completely on your inspection.



1 MR. LETHERBY: That's right.

2 MR. TAUBE: You mean he didn't see it before
3 at all?

4 MR. LETHERBY: At no time did he see it. He
5 relied on you.

6 MR. TAUBE: Well, I mean I wouldn't take his
7 opinions to invest money, gentlemen, you can be sure, but
8 I would take his opinion if he thought it was all right
9 and I get a description that looks good on paper to me
10 via the telephone, you see. Then, I may go out. But
11 I haven't taken all his loans, I've taken the vast
12 majority of them though, over a number of years, I imagine
13 six or seven years. I don't know how he came to me in
14 the first place. I just don't know. He probably heard
15 somewhere that we had money to lend on mortgages and he
16 came in to see me. One outfit that was prominent here
17 the other day, I positively refuse to do business with
18 when I saw him.

19 THE CHAIRMAN: Do you ask him in all cases
20 if he has seen the property?

21 MR. TAUBE: I ask him if he has seen the
22 property and he tells me, because I wouldn't want to go
23 out on a wild goose chase.

24 THE CHAIRMAN: And he tells you that he has
25 seen the property?

26 MR. TAUBE: Well, pretty well. As far as I
27 would know now, sir, it would be just about every case.
28 I can hardly imagine a case where he didn't. I don't
29 always get the information --

30



MR. LEATHERBY: That's right.

MR. TAUBER: You mean he didn't see it before

at all?

MR. LEATHERBY: At no time did he see it. He

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would know now, six, it would be just about every case.

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always get the information --



1 THE CHAIRMAN: No, that isn't the point. The
2 point is you don't ask him if he has seen the property,
3 you assume that he has.

4 MR. TAUBE: I assume he has. I don't
5 deliberately, because I've known him a long time, so
6 when he phones me up and says, "I've got a good mortgage
7 for you". Well that carries with it the idea that it
8 is what he tells me it is. How else would he know then?

9 THE CHAIRMAN: Yes, and he may not have seen
10 it himself.

11 MR. TAUBE: If he didn't see it then he just
12 took the information via the telephone and that would
13 be dishonourable as far as I'm concerned. Because I'd
14 have to waste hours in case I went out and found the
15 thing was completely different, so what do I want to
16 waste all this time for?

17 THE CHAIRMAN: The information may be accurate,
18 but he may not have seen it himself.

19 MR. TAUBE: That may be so, but I rely that
20 he did see it.

21 THE CHAIRMAN: But you don't ask him?

22 MR. TAUBE: No, I don't ask him, I don't
23 ask him specifically each time.

24 MR. LAWRENCE: Have you had any complaints
25 from anybody who turned out to be a mortgagor that has
26 come to you?

27 MR. TAUBE: Well, the only one I mentioned
28 to Mr. Sedgwick.

29 MR. LAWRENCE: That was the only one?
30



1 THE CHAIRMAN: No, that isn't the point. The
2 point is that the fact that he was in the
3 position of being able to do that
4 MR. TAUBER: I assume he was. I don't
5 deliberately, because I've known him a long time, so
6 when he phones me up and says, "I've got a good newspaper
7 for you". Well that carries with it the idea that he
8 is what he tells me it is. How else would he know that?
9 THE CHAIRMAN: Yes, and he may not have seen
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20 he did see it.
21 THE CHAIRMAN: But you don't ask him?
22 MR. TAUBER: No, I don't ask him, I don't
23 ask him specifically each time.
24 MR. LAWSON: Have you had any conversations
25 from anybody who seemed not to be a newspaper that has
26 come to you?
27 MR. TAUBER: Well, the only one I mentioned
28 to Mr. Sedgwick.
29 MR. LAWSON: That was the only one?



1 MR. TAUBE: That's the only one. As I said,
2 we sent the papers back and I said to the lawyer, I
3 said, "I regret having spent so much time, searched
4 the title, prepared the papers, they were signed and
5 inspected the property -- all that for nothing". I
6 sent them back and said, "We don't want any dissatisfied
7 people". Not interested.

8 MR. LAWRENCE: This is the Rosenberg one?

9 MR. TAUBE: Yea, the Rosenberg one.

10 MR. REILLY: Well, if it helps, Mr. Chairman,
11 to refresh the memories of the members, I have a
12 notation here on that \$8,000 loan --

13 MR. TAUBE: That must be the one.

14 MR. REILLY: Yes. The brokerage and commis-
15 sion was \$300.00, the inspection and appraisal was \$20.00,
16 the legal fee paid for you was \$240.00, other services
17 was \$160.00, totalling \$720.00.

18 MR. TAUBE: That was supposed to be paid if
19 the deal went through, is that right sir? The deal
20 never went through, sir. Nothing was paid, not a penny.
21 I happen to know this.

22 MR. REILLY: This is the outline.

23 MR. TAUBE: Yea, that's the outline of the
24 Statement of Mortgage, perhaps. I heard about that,
25 because the people went to their Solicitor, which only
26 brings us back to the point that if everybody would go
27 to their lawyer such situations would be cut down to
28 an absolute minimum. Perhaps there would be no difficult
29 situations any more. And a home deserves that much
30



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1 attention. Let the owner pay five or ten dollars to
2 get independent advice. It's not a waste of money any
3 more than a man who doesn't feel good goes to see his
4 doctor.

5 MR. MACDONALD: Seriously, can a man get
6 advice from a lawyer for five or ten dollars?

7 MR. TAUBE: Well, to look over a Statement
8 of Mortgage, that's not a big thing -- half an hour
9 would be more than enough to go over a little bit of
10 his finances -- even an hour. So if you want to charge
11 him ten or fifteen dollars -- but if he is a lawyer
12 of any experience -- he knows more or less what things
13 are and he sees a man paying five or six hundred dollars
14 he would perhaps jump. He would say, "Oh I wouldn't do
15 a thing like that". He would stop him at that point.
16 In my opinion the Statement of Mortgage should also
17 contain a clause -- everything that's on there is pretty
18 good -- it was made up very cleverly two years ago -- but
19 I think there should be also on there something to the
20 effect that I have received independent legal advice.
21 There should be a further clause in there.

22 MR. SEDGWICK: Mr. Taube, the borrower has
23 already paid for legal advice, he's paid you. The
24 borrower has paid you.

25 MR. TAUBE: I know, but I'm not in the
26 picture, sir. In the Statement of Mortgage --

27 MR. SEDGWICK: Wait a minute. You are
28 charging the borrower 3% for legal advice, aren't you?

29 MR. TAUBE: Well, for getting the mortgage and
30



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MR. SEYMOUR: Wait a minute. You are
charging the borrower for legal advice, aren't you?
MR. TAUBER: Well, for getting the mortgage and



1 searching the --

2 MR. SEDGWICK: Oh, no, no, no. 1% for finding
3 the lender and 1 1/4% you are charging the borrower as
4 a lawyer.

5 MR. TAUBE: Yes, I am charging him for the
6 legal -- that is correct, sir.

7 MR. SEDGWICK: For legal advice, aren't you?

8 MR. TAUBE: No, for searching the title.

9 MR. SEDGWICK: All right --

10 MR. TAUBE: For my client, to whom I report.

11 MR. SEDGWICK: Yes, but you are charging the
12 borrower?

13 MR. TAUBE: Oh, yes, he's paying, which is
14 the usual practice.

15 MR. SEDGWICK: All right, but you are
16 charging the borrower?

17 MR. TAUBE: Yes, that is correct, sir.

18 MR. SEDGWICK: Don't you think, as a lawyer,
19 you owe some obligation to the man who is paying your
20 fee?

21 MR. TAUBE: Well, what should I do in the
22 future.

23 MR. SEDGWICK: You might give him some
24 honest advice.

25 MR. TAUBE: I'll give him any advice that
26 you recommend.

27 MR. SEDGWICK: Oh, no, no. I'm not going
28 to recommend -- I don't mean, Mr. Taube --

29 MR. TAUBE: I know. I appreciate your
30 comments.



MR. SEDGWICK: Oh, no, no, no. Is for finding

the lender and ^{if} you are charging the borrower as

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MR. SEDGWICK: You might give him some

honest advice.

MR. TAUBER: I'll give him any advice that

you recommend.

MR. SEDGWICK: Oh, no, no. I'm not going

to recommend -- I don't mean, Mr. Tauber --

MR. TAUBER: I know. I appreciate your



1 MR. SEDGWICK: Let's say, when a client --
2 be he ostensibly my client or not -- pays me a fee, I
3 think I have a professional obligation towards him.
4 If the borrower pays you a fee, it occurs to me that
5 he buys with it some sort of obligation from you to
6 him, to give him honest advice. Why should he have to
7 pay you a legal fee and then go and get some other
8 lawyer who else he will have to pay?

9 MR. TAUBE: Well, but that's your situation,
10 sir. If a man came to sign a mortgage say -- and one
11 trust company is charging him $7\frac{1}{2}\%$, should the lawyer
12 say to him then, because he charges him a fee, "You
13 know, if you would go across the street to that trust
14 company, you could get the same mortgage at 7%?" He
15 might be working against his own clients to do that,
16 sir. There is a contradiction there. That's it, it's
17 a contradiction. I have to work in my client's interest
18 as a mortgagee and I don't think I can swing over on
19 the other. But any suggestion you make I will gladly
20 take up, because of the respect we hold for you, Mr.
21 Sedgwick.

22 MR. MACDONALD: Mr. Chairman, I think the
23 conflict here could be resolved if the lawyer's fee paid
24 to Mr. Taube were paid by Mr. Rosenberg out of his
25 brokerage fee.

26 MR. SEDGWICK: Yes, that's right.

27 MR. TAUBE: That's it, that's exactly --

28 MR. MACDONALD: ~~There might be a conflict.~~

29 MR. TAUBE: I know, there might be a conflict,
30 yes, but there's a lot to be said in favour of what



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MR. SEDGWICK: I think you are right.

sir. If a man came to sign a mortgage -- and one

trust company is charging him 7 1/2%, should the lawyer

say to him then, because he charges him a fee, "You

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might be working against his own interest to do that.

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as a mortgagee and I don't think I can swing over on

the other. But any suggestion you make I will gladly

take up, because of the respect we hold for you, Mr.

Sedgwick.

MR. HARRINGTON: Mr. Chairman, I think the

conflict here could be resolved if the lawyer's fee paid

to Mr. Taube were paid by Mr. Kossowitz out of his

own pocket.

MR. SEDGWICK: Yes, that's right.

MR. TAUBE: That's it, that's exactly --

MR. HARRINGTON: I think that is a suggestion

MR. TAUBE: I know, I know, there might be a conflict

yes, but there is a lot to be said for it.



1 Mr. Sedgwick says. I will take it up under advisement.

2 MR. LAWRENCE: No, I don't think you better,

3 Mr. Taube --(voice inaudible) -- Just a minute, please.

4 MR. TAUBE: Sorry.

5 MR. LAWRENCE: In which, I think Mr. Sedgwick

6 is (voice inaudible) -- which almost prohibits lawyers

7 to act on both sides of a mortgage transaction, so I

8 don't think you need to take --

9 MR. MACDONALD: But you find they are doing
10 it though.

11 MR. LAWRENCE: Well here, I haven't quite
12 figured this out, but in any event if I am acting for
13 a mortgagee, I certainly don't want to also act for
14 the mortgagor.

15 MR. TAUBE: That's exactly what I was saying.

16 MR. MACDONALD: If Mr. Rosenberg sends a
17 case to Mr. Taube and the borrower is paying Mr. Taube,
18 Mr. Taube is in a position of conflict. I am not saying
19 this critically of you alone, but it seems to me it
20 is in contradiction of the letter that's gone out from
21 the Law Society.

22 MR. SEDGWICK: Well, it occurs to me that
23 we are out in space. The transaction is not in the
24 interest of the borrower, so the only lawyer he can
25 see is --(voice inaudible)

26 MR. LAWRENCE: (Voice inaudible)

27 THE CHAIRMAN: Have we any other questions
28 of Mr. Taube?

29 MR. BELANGER: (Voice inaudible) -- How many
30



1 Mr. Sedgwick says. I will take it up under adjournment.
2 MR. LAWRENCE: No, I don't think you better.
3 Mr. Tappe -- (voice inaudible) -- Just a minute, please.
4 MR. TAPPE: Sorry.
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17 case to Mr. Tappe and the borrower is paying Mr. Tappe,
18 Mr. Tappe is in a position of conflict. I am not saying
19 this critically of you alone, but it seems to me it
20 is in contradiction of the former case's gone out from
21 the Law Society.
22 MR. SEDGWICK: Well, it occurs to me that
23 we are out in space. The transaction is not in the
24 interest of the borrower, so the only lawyer we can
25 see is -- (voice inaudible)
26 MR. LAWRENCE: -- (voice inaudible) --
27 THE CHAIRMAN: Have we any other questions
28 -- Mr. Sedgwick?
29 MR. BELANGER: (Voice inaudible) -- how many



1 of these lawyers that do loan money -- we had one here
2 yesterday -- that belong to the Law Society and Brokerage
3 Society but they are not busy. Have you got quite a
4 few Solicitors that are in the same category that call
5 you and that you handle all these affairs for them?

6 MR. TAUBE: No, it's just the odd Solicitor
7 who will call me for a loan. Sometimes a lawyer needs
8 a mortgage for a client who is selling a home or a man
9 who bought a home for resale, they might phone me up --
10 just something like that. When they run out of funds
11 of their own clients and they still need more money they
12 might call me or somebody else, you see. I might hear
13 once from a lawyer and may not hear from him again for a
14 year or two, you see. No regular pattern on this.

15 MR. BELANGER: Do you have any mortgage
16 company at all do this --

17 MR. TAUBE: Companies? Well I get the odd
18 application from M.C. Beaver Limited. M. C. Beaver
19 Limited calls me sometimes for a mortgage, and then
20 there is H. W. Fender Limited.

21 MR. BELANGER: And the rest of it --(inaudible)

22 MR. TAUBE: Just on my own reissues,
23 acquaintanceship, people that know me over the years or
24 that recommend somebody, that's all.

25 MR. BUKATOR: Mr. Taube, we haven't got down
26 to the routine question yet. If a real estate broker
27 came to you with a client, would you honour his mission
28 for him? The one where ostensibly you would get whatever
29 they get if you find again an investor who --
30



of these lawyers that do loan money -- we had one here yesterday -- that belong to the Law Society and Brokerage Society but they are not busy. Have you got quite a few Solicitors that are in the same category that call you and that you handle all these affairs for them?

MR. TAYLOR: Yes, some of the Solicitors who will call me for a loan. Sometimes a lawyer needs a mortgage for a client who is selling a home or a man who bought a home for resale, they might phone me up -- just something like that. When they run out of funds of their own clients and they still need more money they might call me or somebody else, you see. I might hear once from a lawyer and may not hear from him again for a year or two, you see. No regular pattern on this.

MR. BELANGER: Do you have any mortgage company at all do this --

MR. TAYLOR: Companies? Well I get the odd application from M.G. Beaver Limited, M. G. Beaver Limited calls me sometimes for a mortgage, and then there is H. W. Fender Limited.

MR. BELANGER: And the rest of it -- (Inaudible)

MR. TAYLOR: Just on my own resources, acquaintance, people that know me over the years on that recommend somebody, that's all.

MR. BUNKER: Mr. Taylor, we haven't got down to the routine question yet. It's a real estate broker come to you with a client, would you honour his mission for him? The one where certainly you would get whatever they get if you find again an investor who --



1 MR. TAUBE: You say a real estate agent?

2 MR. BUKATOR: A real estate broker who would
3 come to you looking for a mortgage --

4 MR. TAUBE: Only my fees, that's all.

5 MR. BUKATOR: And how about the real estate
6 broker getting a commission from --

7 MR. TAUBE: If he wanted to get a commission
8 he would have to get the owner to agree to it. It
9 wouldn't be up to me.

10 MR. BUKATOR: I realize that, but you have
11 investors -- what I am driving at is --

12 MR. TAUBE: If I could place the loan and I
13 had the money I would be very happy to distribute it.

14 MR. BUKATOR: Have you ever paid a broker a
15 fee for finding a customer for one of your clients?

16 MR. TAUBE: A real estate broker?

17 MR. BUKATOR: Right.

18 MR. TAUBE: Well sometimes, yes, several
19 times in a year -- two or three times in a year, but
20 not very often, but it happens.

21 MR. BUKATOR: How about the man who comes to
22 you and would like to borrow \$3,000 -- that would be
23 a first mortgage, at 7% interest, if the mortgage looked
24 good, a prime mortgage? He would pay your investor,
25 your client, 7%?

26 MR. TAUBE: That is correct.

27 MR. BUKATOR: And we have heard from other
28 people here that they have a bonus that they require --

29 MR. TAUBE: Yes, I've heard about that, I
30



MR. TAUBER: You say a real estate agent?

come to you looking for a mortgage -

MR. TAUBER: Only my fees, that's all.

MR. BUKATOR: And how about the real estate

broker getting a commission from --

MR. TAUBER: If he wanted to get a commission

he would have to get the owner to agree to it. It

wouldn't be up to me.

MR. BUKATOR: I realize that, but you have

investors -- what I am driving at is --

MR. TAUBER: If I could place the loan and I

had the money I would be very happy to distribute it.

MR. BUKATOR: Have you ever paid a broker a

fee for finding a customer for one of your clients?

MR. TAUBER: A real estate broker?

MR. TAUBER: Well sometimes, yes, several

times in a year -- two or three times in a year, but

not very often, but it happens.

MR. BUKATOR: How about the man who comes to

you and would like to borrow \$5,000 -- that would be

a first mortgage, at 4% interest. If the mortgage looked

good, a prime mortgage? He would pay you, investor,

your client, yes?

MR. TAUBER: That is correct.

MR. BUKATOR: And we have heard from other

people here that they have a bonus that they require --

MR. TAUBER: Yes, I've heard about that. I



1 know about this business.

2 MR. BUKATOR: How about your client?

3 MR. TAUBE: We have no bonus, no bonus at all.

4 MR. BUKATOR: No bonus?

5 MR. TAUBE: Nothing at all.

6 MR. BUKATOR: All he would pay you for
7 obtaining that \$3,000 mortgage would be your fee?

8 MR. TAUBE: My fee.

9 MR. BUKATOR: Your fee, which is about 3%?

10 MR. TAUBE: Well, on a \$3,000 would be a
11 little higher. I couldn't do it for \$90.00. I have a
12 minimum.

13 MR. BUKATOR: Well, I'm talking about the 3%.

14 MR. TAUBE: Oh, yes, it would be higher on a
15 \$3,000. It would be \$125.00 to include my fee and
16 disbursements.

17 MR. BUKATOR: There would be a charge of
18 \$125.00?

19 MR. TAUBE: Of which about \$15.00 would be
20 disbursements. My end would be about \$110.00.

21 MR. BUKATOR: And there is no bonus at all?

22 MR. TAUBE: No bonus at all, sir.

23 THE CHAIRMAN: Any other questions? Well,
24 thanks, Mr. Taube, for being with us this afternoon.

25 MR. TAUBE: Thank you, gentlemen, for asking
26 me.

27 THE CHAIRMAN: We will now have a 10 minute
28 recess.

29 ---RECESS.

30



THE CHAIRMAN: Now about your clients?

MR. BURKATON: Now about your clients?

MR. TAUBER: We have no bonus, no bonus at all.

MR. BURKATON: No bonus?

MR. TAUBER: Nothing at all.

MR. BURKATON: All he would pay you for

obtaining that \$3,000 mortgage would be your fee?

MR. TAUBER: My fee.

MR. BURKATON: Your fee, which is about 3%

MR. TAUBER: Well, on a \$3,000 would be a

little higher. I couldn't do it for \$90.00. I have a

minimum.

MR. BURKATON: Well, I'm talking about the \$3,

MR. TAUBER: Oh, yes, it would be higher on a

\$3,000. It would be \$125.00 to include my fee and

disbursements.

MR. BURKATON: There would be a charge of

\$125.00?

MR. TAUBER: Of which about \$75.00 would be

disbursements. My end would be about \$110.00.

MR. BURKATON: And there is no bonus at all?

MR. TAUBER: No bonus at all, sir.

THE CHAIRMAN: Any other questions? Well,

thanks, Mr. Tauber, for being with us this afternoon.

MR. TAUBER: Thank you, gentlemen, for asking

THE CHAIRMAN: We will now have a 10 minute



1 THE CHAIRMAN: I will ask the members to
2 resume their seats. The meeting will come to order.
3 We will now ask Mr. W. Peter Carter, Real Estate
4 Manager of the C.A.C. Realty Limited to come forward.
5 And Mr. Johnson, the Solicitor.

6 Mr. Carter, you have a prepared brief of
7 which all the members have a copy?

8 MR. CARTER: Yes.

9 THE CHAIRMAN: We will ask you to read your
10 brief, if you will.

11 MR. CARTER: Introduction: C.A.C. Realty
12 Limited is an Ontario Company incorporated on January 31,
13 1962, with the following objects, that is to say: "to
14 lend and invest money on mortgages of real estate or
15 otherwise." The Mortgage Company operates coast-to-coast
16 through some 60 branch offices.

17 Objects: C.A.C. Realty Limited was formed
18 with the object of making funds available to existing
19 home owners and prospective purchasers of residential
20 dwellings against their security of real estate at a
21 rate of interest which was fully disclosed, fully
22 competitive and represented a fair return to the Company
23 on its investment having regard to its acquisition and
24 handling costs, money costs, operating expenses and the
25 credit and security risk involved in this type of
26 business.

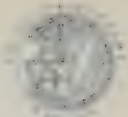
27 Lending policy: The lending policy of C.A.C.
28 Realty Limited is conservative and one of developing a
29 loan or purchase price of a mortgage based on:- 1. Equity



THE CHAIRMAN: I will ask the members to
resume their seats. The meeting will come to order.
We will now ask Mr. W. Peter Carter, Real Estate
Manager of the C.A.G. Realty Limited to come forward
and Mr. Johnson, the Solicitor.
Mr. Carter, you have a prepared brief of
which all the members have a copy?
MR. CARTER: Yes.
THE CHAIRMAN: We will ask you to read your
brief, if you will.
MR. CARTER: Introduction: C.A.G. Realty
Limited is an Ontario company incorporated on January 11,
1968, with the following objects, that is to say: "to
lend and invest money on mortgages of real estate or
otherwise." The Mortgage Company operates coast-to-coast
through some 60 branch offices.
Object: C.A.G. Realty Limited was formed
with the object of making funds available to existing
home owners and prospective purchasers of residential
dwellings against their security of real estate at a
rate of interest which was fully disclosed, fully
competitive and represented a fair return to the Company
on its investment having regard to its acquisition and
handling costs, money costs, operating expenses and the
credit and security risk involved in this type of
business.
Lending policy: The lending policy of C.A.G.
Realty Limited is conservative and one of developing a
loan or purchase price of a mortgage based on...



- 1 - Restriction to mortgage loans where the existing
2 balance owing on the first mortgage plus the amount of
3 the proposed second mortgage do not exceed 80% of the
4 appraised value of the real estate security. In
5 purchasing a mortgage, the combined total of the two
6 existing balances on the mortgages must not normally
7 exceed 80% of the appraised value. 2. Appraisal -
8 Appraised value will be estimated as fair market value
9 with a cash down payment by a prudent buyer of twenty to
10 twenty-five per cent of the returned valuation.
- 11 3. Covenant - Credit of the proposed borrower must be
12 satisfactory. Should the title of the property be in a
13 married woman's name, her husband is required to sign the
14 mortgage document as guarantor. 4. Types of Mortgages -
15 The following types of mortgages will be created or
16 purchased by the Mortgage Company:-
- 17 (a) Straight Interest (created mortgages)
- 18 Interest Rate - 12% per annum, computed semi-
19 annually, not in advance.
- 20 Amortization - Up to twelve years dependent upon
21 real estate security.
- 22 Term - To coincide with years of amorti-
23 zation.
- 24 Prepayment - Contract will be open after first
25 six months without penalty or
26 notice.
- 27 Payments - Equal blended monthly payments.
- 28 (b) Discount (purchased mortgages)
- 29 Interest Rate - Varies between 5% and 7% per annum
30



1 - Restriction to mortgage loans where the existing

4 appraised value of the real estate security. In

5 purchasing a mortgage, the combined total of the two

6 existing balances on the mortgages must not normally

7 exceed 80% of the appraised value. 2. Appraisal -

8 Appraised value will be estimated as fair market value

9 with a cash down payment by a prudent buyer of twenty to

10 twenty-five per cent of the returned valuation.

11 3. Covenant - Credit of the proposed borrower must be

12 satisfactory. Should the title of the property be in a

13 married woman's name, her husband is required to sign the

14 mortgage document as guarantor. 4. Types of Mortgages

15 The following types of mortgages will be created or

16 purchased by the Mortgage Company:-

17 (a) Straight Interest (created mortgages)

18 Interest Rate - 1% per annum, computed semi-

19 annually, not in advance.

20 Amortization - Up to twelve years depending upon

21 real estate security.

22 Term - The coincide with years of amorti-

23 zation.

24 Prepayment - Contract will be open after first

25 six months without penalty or

26

27

28

29 Interest Rate - Varies between 7% and 7% per annum



1 on mortgage for sale but up to 8%
2 is not uncommon.

3 Term - A five year maturity is usual, but
4 occasionally contracts do contain
5 the right of renewal for a further
6 period of three or five years.

7 Amortization - Usually longer than term and on
8 maturity a balance is due the
9 mortgagee. Maximum allowed is
10 twelve years.

11 Payments - Either the contract will call for
12 equal blended monthly payments or
13 quarter yearly payments of princi-
14 pal plus interest.

15 Prepayment - Contract is normally open from
16 commencement.

17 Discount - Mortgage will be discounted on
18 face amount to yield 12% per annum
19 effective interest per annum, such
20 discount taking into account the
21 interest rate of the contract
22 being purchased.

23 5. Age of Borrower - The Mortgage Company does not
24 normally wish to have borrowers in excess of 65 years of
25 age. With this in mind, the amortization plus the age of
26 the mortgagor at the time of creating or purchasing a
27 mortgage should not exceed 65.

28 The policy of C.A.C. Realty Limited is that no
29 mortgages will be created or purchased on which the



on mortgage for sale but up to 85%
is not uncommon.

A five year maturity is usual, but
occasionally contracts do contain
the right of renewal for a further
period of three or five years.

Usually longer than term and on
maturity a balance is due the
mortgagee. Maximum allowed is

Either the contract will call for
equal divided monthly payments or
quarter yearly payments of principal
and plus interest.

Contract is normally open from
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Mortgage will be discounted on
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5. Age of Borrower - The Mortgage Company does not
normally wish to have borrowers in excess of 65 years of
age. With this in mind, the amortisation plus the age of
the mortgagor at the time of creating or purchasing a
mortgage should not exceed 65.

The policy of C.A.C. Realty Limited is that no
mortgages will be created or purchased on which the



1 mortgagors are paying an effective rate of interest in
2 excess of 12% per annum.

3 It has previously been stated that the Mortgage
4 Company was formed with the object of assisting existing
5 home owners and prospective purchasers to acquire
6 additional funds by the signing and registration of a
7 second mortgage against the borrower's property; in
8 addition, the Company will also purchase existing
9 mortgages. However, it is noteworthy that C.A.C. Realty
10 Limited does not in any way wish to compete with the
11 established mortgage lending institutions, but rather to
12 complement the mortgages available from the Trust or
13 Insurance Company. It is a fundamental policy of C.A.C.
14 Realty Limited that its programme of mortgage financing
15 will be highly ethical at all times with full disclosure
16 of all facts appertaining to a mortgage transaction in
17 order that the General Public can conduct business "with
18 confidence and in confidence".

19 Finders Fees - C.A.C. Realty Limited is
20 pleased to pay Finders Fees to lawyers, insurance agents,
21 real estate and/or mortgage brokers, etc., who refer
22 prospects to the Mortgage Company. On mortgages with
23 terms of up to 7 years 11 months the fee is 1%, while if
24 the term is between 8 and 12 years the fee is 2%; the
25 fee is calculated on the face amount of a created mort-
26 gage or in the case of a purchased mortgage on the price
27 being paid by the Mortgage Company.

28 It is the belief of C.A.C. Realty Limited that
29 the scale of Finders Fees offered to lawyers, real estate
30



mortgagees are paying an effective rate of interest in excess of 10% per annum.

It has previously been stated that the Mortgage

Company was formed with the object of assisting existing

home owners and prospective purchasers to acquire

additional funds by the signing and registration of a

second mortgage against the borrower's property; in

addition, the Company will also purchase existing

mortgages. However, it is noteworthy that C.A.C. Realty

Limited does not in any way wish to compete with the

established mortgage lending institutions, but rather to

complement the mortgage available from the latter.

Insurance Company. It is a fundamental policy of C.A.C.

Realty Limited that its programme of mortgage financing

will be highly ethical at all times with full disclosure

of all facts pertaining to a mortgage transaction in

order that the General Public can conduct business "with

confidence and in confidence".

Finders Fees - C.A.C. Realty Limited is

pleased to pay Finders Fees to lawyers, insurance agents,

real estate and/or mortgage brokers, etc., who refer

prospects to the Mortgage Company. On mortgages with

terms of 10 to 15 years the fee is 2%, while for

the term is between 8 and 12 years the fee is 2 1/2%; the

fee is calculated on the face amount of a proposed mort-

gage or in the case of a purchased mortgage on the price

being paid by the Mortgage Company.

It is the policy of C.A.C. Realty Limited that

the scale of Finders Fees offered to lawyers, real estate



1 and/or mortgage brokers, is realistic and attractive to
2 legitimate Sources of Business. These fees are not
3 chargeable to mortgagors or vendors but are an expense
4 of C.A.C. Realty Limited to attract business. In offering
5 Finders Fees, it is the intention of the Mortgage Company
6 to eliminate any mortgagors having to pay arranging fees
7 to lawyers, brokers, etc. Further, it is a policy of the
8 Mortgage Company that should any Source of Business
9 require or attempt to charge arranging fees to prospective
10 borrowers, the application is cancelled, since the
11 proposed borrowers, with the arranging fees being
12 deducted from the mortgage proceeds, would be paying an
13 effective rate of interest in excess of 12% per annum.
14 It is felt that acceptance of this type of transaction
15 could prejudice C.A.C. Realty Limited in the eyes of the
16 mortgagors. The borrowers have paid an arranging fee,
17 and although the Source of Business has collected it,
18 they may conclude it was the Mortgage Company who received
19 the benefit of the fee.

20 As a further safeguard to the policy of no
21 arranging fees paid by mortgagors/vendors, C.A.C. Realty
22 Limited requires that the monies from a created mortgage
23 or on a purchase of an existing mortgage are paid
24 directly to the mortgagors/vendors and not to a third
25 party. In the event of a Direction being received by the
26 Mortgage Company for the monies to be paid to other than
27 the mortgagors/vendors, the Direction immediately becomes
28 suspect of some hidden arranging fee being charged the
29 customers. It is laid down in procedure that the Staff
30



and/or mortgage brokers, is realistic and attractive to
legitimate sources of business. These fees are not
chargeable to mortgagors or vendors but are an expense
of C.A.G. Realty Limited to attract business. In offering
finder fees, it is the intention of the Mortgage Company
to eliminate any mortgagors having to pay arranging fees
to lawyers, brokers, etc. Further, it is a policy of the
Mortgage Company that should any source of business
refuse or attempt to charge arranging fees to prospective
borrowers, the application is cancelled, since the
proposed borrowers, with the arranging fees being
effective rate of interest in excess of 12 1/2 per annum.
It is felt that acceptance of this type of transaction
could prejudice C.A.G. Realty Limited in the eyes of the
mortgagors. The borrowers have paid an arranging fee,
and although the Source of Business has collected it,
they may conclude it was the Mortgage Company who received
the benefit of the fee.
As a further safeguard to the policy of no
arranging fees paid by mortgagors/vendors, C.A.G. Realty
Limited requires that the monies from a created mortgage
or on a purchase of an existing mortgage are paid
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Mortgage Company for the monies to be paid to other than
the mortgagor/vendor, the Discretion immediately becomes
suspect of some hidden arranging fee being charged the
customers. It is laid down in procedure that the Staff



1 of the Mortgage Company must ascertain why the monies
2 cannot be handed directly to the mortgagors/vendors and,
3 unless they are fully satisfied with the explanation
4 given them, the Direction for the monies to be paid to
5 a third party must be cancelled.

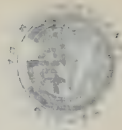
6 Brochure - Attached to this Brief is a Brochure
7 "about MONEY" and sound secondary financing of homes
8 published by C.A.C. Realty Limited. It is the belief
9 of the Mortgage Company that the brochure contains all
10 the answers a borrower or vendor will require concerning
11 taking or selling a mortgage. It is used at all inter-
12 views or discussions with any prospect, mailed to
13 applicants responding from advertisements, etc. An
14 examination of this brochure will reveal:-

15 * C.A.C. Realty Limited creates second mortgages without
16 any bonus whatsoever.

17 * The terms of equity, reference, etc., are clearly
18 defined so that the General Public can easily under-
19 stand the plan -- there is nothing hidden.

20 * There are no arranging fees payable to C.A.C. Realty
21 Limited. The only costs to a borrower/vendor are
22 standard appraisal fees (\$25.00 or 1/15th of 1% of
23 appraised value, whichever is the greater) and the
24 legal fees recommended by the local Law Association;
25 the latter vary from Association to Association -- for
26 example the County of York Law Association is 1 1/4% of
27 the mortgage loan.

28 * Examples of monthly payments are quoted, so that
29 borrowers can see exactly the amount of the monthly
30



of the Mortgage Company must ascertain why the monies cannot be handed directly to the mortgagors/vendors and unless they are fully satisfied with the explanation given them, the Direction for the monies to be paid to a third party must be cancelled.

Procedure - Attached to this Brief is a Brochure "About MONEY" and second secondary financing of homes published by C.A.C. Realty Limited. It is the belief of the Mortgage Company that the brochure contains all the answers to questions of vendors who are taking or selling a mortgage. It is used at all interviews on discussions with any prospect, mailed to applicants responding from advertisements, etc. An examination of this brochure will reveal:-

- * C.A.C. Realty Limited creates second mortgages without any bonus whatsoever.
- * The terms of equity, reference, etc., are clearly defined so that the General Public can easily understand the plan -- there is nothing hidden.
- * There are no arranging fees payable to C.A.C. Realty Limited. The only costs to a borrower/vendor are standard appraisal fees (\$25.00 or 1/15th of 1% of appraised value, whichever is the greater) and the legal fees recommended by the local Law Association; the latter vary from Association to Association -- for example the County of York Law Association is 1 1/2% of the mortgage loan.
- * Examples of monthly payments are quoted, so that borrowers can see exactly the amount of the monthly



Obligation for varying amortizations for a particular mortgage loan amount.

* Mortgages can be created for periods from one to twelve years and the term and amortization will always coincide so that on the maturity of the mortgage there will be no money owing by the borrower.

* All mortgages created or purchased by C.A.C. Realty Limited remain with the Mortgage Company until the principal owing is paid in full; under no circumstances will any mortgage agreement be sold to any other organization or individual.

* Under the mortgage contract for all created loans, the borrower can pay the mortgage in full -- or any part of it -- after the first six months without notice or penalty.

* Mortgage insurance is available if desired, but it is purely optional and is offered as a feature for the convenience of mortgagors. The premium is .75¢ per \$1000 of the mortgage per month e.g. on a mortgage of \$3,000.00, the monthly premium is \$2.25.

It is the belief of C.A.C. Realty Limited that the Brochure is the first in Canada to clearly define in simple language the lending policies of a company specializing in the urban residential second mortgage market. It was written with this object always in mind and from the response of the General Public across Canada, since the Mortgage Company commenced operations in August, 1962, it is believed that the Brochure has adequately answered all inquiries made concerning the



Collection for the year 1902-1903

mortgage loan amount.

* Mortgages can be created for periods from one to

twelve years and the term and amortization will always

coincide so that on the maturity of the mortgage there

will be no money owing by the borrower.

All mortgages created or purchased by C.A.C. Realty

Company are valid and enforceable in all courts.

and are subject to the same conditions as other

loans will any mortgage agreement be sold to any

other organization or individual.

Under the mortgage contract for all created loans, the

borrower can pay the mortgage in full -- or any part

of it -- after the first six months without notice

or penalty.

Mortgage insurance is available if desired, but it is

purely optional and is offered as a feature for the

convenience of mortgagors. The premium is 1% per

\$1,000 of the mortgage per month e.g. on a mortgage of

\$3,000.00, the monthly premium is \$3.00.

It is the policy of C.A.C. Realty limited that

the mortgage is the first in Canada to be offered in

ample language the lending policies of a company

operating in the urban residential second mortgage

market. It was written with this object always in mind

and from the response of the general public across

Canada, since the Mortgage Company commenced operations

in August, 1902, it is believed that the Mortgage has

immediately answered all inquiries made concerning the

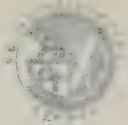


1 mortgage plan.

2 Summary - During the years 1957-1958-1959 and
3 early 1960, the word second mortgage frightened many
4 citizens due to the unethical practices that were
5 perpetrated in the mortgage business during these years.
6 This unhealthy situation was caused by many operators
7 entering the mortgage field not with the object of
8 giving the General Public a much needed service, but
9 purely to exact high fees by way of hidden charges etc.,
10 and made a profitable killing without regard for their
11 methods of operation nor concern for any mortgagors
12 financial state. In June of 1960 the government passed
13 the Mortgage Brokers Registration Act, refused licences
14 to many so-called mortgage companies then operating and
15 without question, in Ontario today, the past problems
16 to a large extent have been eliminated. The mortgage
17 plan, terms of reference, procedures, etc., of C.A.C.
18 Realty Limited were designed and written bearing all
19 the past troubles, pitfalls, etc. of the mortgage
20 industry constantly in mind and it is believed that the
21 ethical programme offered by this Mortgage Company has
22 successfully accomplished the object of full disclosure,
23 no hidden charges, etc.

24 THE CHAIRMAN: Do you wish to make any
25 comments other than --

26 MR. CARTER: I don't think so, sir, except I
27 think attached to the brief you will find the brochure.
28 I did, in my brief, bring the highlights of this brochure
29 to your attention.
30



1960-1961

FINANCIAL

early 1960, the word second mortgage frightened many

citizens due to the unethical practices that were

perpetrated in the mortgage business during those years.

This unethical situation was caused by many operators

entering the mortgage field not with the object of

giving the General Public a much needed service, but

merely to exact high fees by way of hidden charges etc.,

and made a profitable killing without regard for their

methods of operation nor concern for any mortgagee's

financial state. In June of 1960 the Government passed

the Mortgage Brokers Regulation Act, which imposed

to many so-called mortgage companies then operating and

without question, in Ontario today, the same problems

to a large extent have been eliminated. The mortgage

business is now a regulated business and the

Realty Limited were designed and written bearing all

the past troubles, pitfalls, etc. of the mortgage

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ethical programme offered by this Mortgage Company has

successfully accomplished the object of full disclosure,

no hidden charges, etc.

THE CHAIRMAN: Do you wish to make any

comments other than --

MR. CHAIRMAN: I don't think so, Sir, except I

think attached to the paper you will find the brochure.

THE CHAIRMAN: Thank you very much.



1 MR. SEDGWICK: May I ask one question? Do
2 I take it that on the face of your mortgage it is stated
3 that the rate is 12%?

4 MR. CARTER: Yes, sir.

5 MR. SEDGWICK: I have checked the schedule
6 appearing in your brochure against this useful little
7 book of monthly payment charge and I see that you are
8 precisely 12%.

9 MR. CARTER: Yes, sir. In fact, Mr. Sedgwick,
10 if I could interrupt, sir, and say that the scale that
11 is quoted here was taken from the same book that you
12 have there.

13 MR. SEDGWICK: Well, I know this -- \$5,000
14 for five years, the monthly payment would be \$10.50,
15 which is precisely what is quoted in your brochure and
16 carry that with Lance Realty for the same period and
17 the same amount, it is monthly \$23.48. There is a
18 difference between 12% in your case and 17% in their
19 case.

20 MR. CARTER: Well, what we do, sir, we use
21 the services of Financial Publishing Company, to prepare
22 these actuarial tables.

23 MR. SEDGWICK: The same one?

24 MR. CARTER: Yes, the same one. And when we
25 report to a borrower, when our branch office -- whichever
26 it is -- reports to a borrower in sending them a
27 statement of account, we do enclose an amortization
28 schedule which has been prepared by Boston on the
29 particular mortgage transaction so that the borrower can
30



MR. SEDGWICK: May I ask one question? Do

I take it that on the face of your mortgage it is stated
that the rate is 10%?

MR. CARTER: Yes, sir.

MR. SEDGWICK: I have checked the schedule
appearing in your brochure against this useful little
book of monthly payment charge and I see that you are
precisely 10%.

MR. CARTER: Yes, sir. In fact, Mr. Sedgwick

if I could interrupt, sir, and say that the note that
is quoted here was taken from the same book that you
have there.

MR. SEDGWICK: Well, I know this -- \$2,000

and five years, and which is precisely what is quoted in your brochure and
carry that with a loan facility for the same period and
the same amount, it is monthly \$23.48. There is a
difference between 10% in your case and 10% in their

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the services of Financial Publishing Company, to prepare
these actuarial tables.

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it is -- reports to a borrower in sending them a
statement of account, we do enclose an amortization
schedule which has been prepared by Boston on the

actuarial tables which are used in the preparation of



1 see at any time the amount of money he will be owing
2 to the mortgage company during the term of his mortgage.

3 MR. SEDGWICK: So answering a question that
4 has been asked here often, you find no difficulty in
5 advising the borrower of the true rate of interest over
6 the period of amortization?

7 MR. CARTER: No, sir, none.

8 MR. SEDGWICK: I have to assume that your
9 business is profitable because otherwise you wouldn't be
10 in it, but percentagewise do you have a very great loss
11 ratio?

12 MR. CARTER: Well, of course, we have only
13 been going since August, 1962.

14 MR. SEDGWICK: Oh, I see --

15 MR. CARTER: We haven't really had long enough
16 to say. Let's put it this way --

17 MR. SEDGWICK: I think the element of risk --
18 is the element of risk high? You must have made prelimin-
19 ary studies before you went into the business and decided
20 that 12% with all charges included was adequate.

21 MR. CARTER: I think you have got to examine
22 this rather from what are the terms of reference on
23 which you are prepared to undertake business. If you
24 wish or are prepared to go to say 90% of appraisal, or
25 95%, then I think that obviously one is at a greater
26 risk than at our limit, which is 80. I think that
27 anyone who attempts to borrow money on their house,
28 where their first and second mortgage exceed 80% of
29 appraisal is, or could be, placing their property in
30



see at any time the amount of money he will be owing

MR. SEDGWICK: So answering a question that

has been asked here often, you find no difficulty in

advising the borrower of the true rate of interest over

the period of amortization?

MR. SEDGWICK: Yes, sir.

MR. SEDGWICK: I have to assume that your

business is similar to the business of the bank in that

in it, but percentage-wise do you have a very great loss

ratio?

MR. CARTER: Well, of course, we have only

been going since August, 1962.

MR. SEDGWICK: Let's say --

MR. CARTER: We haven't really had time enough

to say. Let's put it this way --

MR. SEDGWICK: I think the element of risk --

is the element of risk high? You must have made preliminary

any studies before you went into the business and decided

that 1% with all charges included was adequate.

MR. CARTER: I think you have got to examine

this rather than what are the terms of reference on

which you are prepared to undertake business. If you

wish or are prepared to go to say 90% of appraisal, or

95%, then I think that obviously one is at a greater

risk than at our limit, which is 80. I think that

anyone who attempts to borrow money on their home,

where their first and second mortgage exceed 80% of

appraisal is, or could be, placing their property in



1 jeopardy. I think they are very foolish if they go
2 over the 80%. This is a personal opinion, of course.

3 THE CHAIRMAN: Mr. Lawrence?

4 MR. LAWRENCE: Is C.A.C. Realty Limited a
5 subsidiary of --

6 MR. CARTER: It's a subsidiary of Canadian
7 Acceptance Corporation.

8 MR. LAWRENCE: Why does C.A.C. feel that
9 there would be room in the Canadian market for this type
10 of operation. Why couldn't they do it themselves through
11 their own --

12 MR. CARTER: I think Mr. Johnson is probably
13 more qualified to answer that.

14 MR. JOHNSON: It doesn't have the corporate
15 capacity to loan mortgage security. C.A.C. is a
16 Dominion corporation of chartered accountants and C.A.C.
17 Realty Limited is (voice inaudible)

18 MR. LAWRENCE: I know it is on your
19 application for a loan, in the back of your brochure
20 there is a -- by signing the application that the
21 contract, in effect, pays standard appraisal fees. Do
22 you have much trouble with this, or have you had much
23 trouble yet?

24 MR. CARTER: No, we've had none at all. At
25 the interview which is conducted at the branch office
26 where the application is being made out, once the inter-
27 view form has been completed the manager concerned
28 should be able to evaluate the application from what
29 information he has obtained and provided it is satisfac-
30 tory, he will then advise the applicant that we will go



jeopardy. I think they are very foolish if they go over the 80%. This is a personal opinion, of course.

MR. LAWRENCE: Is G.A.C. Realty Limited a subsidiary of --

MR. CARTER: It's a subsidiary of Canadian Acceptance Corporation.

MR. LAWRENCE: Why does G.A.C. feel that there would be room in the Canadian market for this type of operation. Why couldn't they do it themselves through their own --

MR. CARTER: I think Mr. Johnson is probably more qualified to answer that.

MR. JOHNSON: It doesn't have the corporate capacity to loan mortgage security. G.A.C. is a

Domestic corporation of chartered accounts and G.A.C. Realty Limited is (voice inaudible)

MR. LAWRENCE: I know it is on your application for a loan, in the back of your brochure

there is a -- by signing the application that the contract, in effect, pays standard appraisal fees. Do

you have much trouble with this, or have you had much

MR. CARTER: No, we've had none at all. At the interview which is conducted at the branch office

where the application is being made out, once the interview form has been completed the manager concerned

there is no further application form and information is sent to the head office in London.



1 ahead with the appraisal, we will inform the applicant
2 of the amount of the appraisal (\$25.00 if the property
3 is obviously going to appraise at under \$26,000 -- the
4 1/15th of 1% doesn't come in until after that) and
5 he will advise him at this stage that in the event of
6 a rejection we will require from them the appraisal fee.
7 Now quite frankly, Mr. Larence, if after the application
8 say there is a reject, and the borrower is not going to
9 pay the appraisal fee, we certainly are not going to
10 sue him. It is purely an expense of the company. We
11 do not employ our own appraisers. We have set up a
12 panel of 60 appraisers from coast-to-coast -- one man
13 to serve each office. These are fee earning appraisers.
14 Their contract is with C.A.C. Realty Limited and each
15 time they do an appraisal it is \$25.00 or 1/15th of 1%
16 and we have to pay it irrespective of whether we collect
17 that fee from the prospect or not.

18 MR. LAWRENCE: Your offices are right
19 across the country -- are they the same offices as C.A.C.?

20 MR. CARTER: Yes. We have set up several
21 departments in --

22 MR. LAWRENCE: Separate departments?

23 MR. CARTER: Yes.

24 THE CHAIRMAN: Mr. Bukator?

25 MR. BUKATOR: Not at the moment.

26 THE CHAIRMAN: Mr. MacDonald? Mr. White?

27 MR. BELANGER: (Voice inaudible)

28 MR. CARTER: I can't hear you, sir, I'm sorry.

29 MR. BELANGER: When the application is made,
30



of the amount of the appraisal (\$25.00 if the property is obviously going to appraise at under \$25,000 -- the 1/15th of it doesn't come in until after that) and he will advise him at this stage that in the event of a rejection we will require from them the appraisal fee. Now quite frankly, Mr. Larence, if after the application say there is a reject, and the borrower is not going to pay the appraisal fee, we certainly are not going to sue him. It is purely an expense of the company. We do not employ our own appraisers. We have set up a panel of 50 appraisers from coast-to-coast -- one man to serve each office. These are fee earning appraisers. Their contract is with C.A.C. Realty Limited and each time they do an appraisal it is \$25.00 or 1/15th of it and we have to pay it irrespective of whether we collect that fee from the prospect or not.

MR. LAWRENCE: Your offices are widespread across the country -- are they the same offices as C.A.C. MR. GALTHER: Yes. We have set up several departments in --

MR. LAWRENCE: Separate departments? MR. GALTHER: Yes. THE CHAIRMAN: Mr. Buchanan? MR. BUCHANAN: Not at the moment. THE CHAIRMAN: Mr. MacDonald? Mr. White? MR. BRIDGEMAN: (Voice inaudible) GALTHER: I can't hear you, sir, I'm sorry. MR. BRIDGEMAN: When the application is made,



1 does it have to come to Toronto here before it is
2 processed?

3 MR. CARTER: No, sir.

4 MR. BELANGER: Apparently --

5 MR. CARTER: It is dealt with entirely in
6 the branch. If the branch is in Vancouver, the appli-
7 cation is dealt with in Vancouver. If the branch is
8 in Halifax, the application is there, then it remains
9 in Halifax.

10 MR. BELANGER: You say there is a fee
11 connected with the application?

12 MR. CARTER: There is a fee connected, an
13 obligation, for the standard appraisal fees for the
14 property to be appraised to see whether it would form
15 sufficient security to meet our terms of reference for
16 the mortgage to be granted. And that is collected after
17 the appraisal has been made. It is not collected --

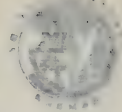
18 MR. BELANGER: What about the calculation
19 you make about the persons themselves?

20 MR. CARTER: Well, that is a credit report --

21 MR. BELANGER: The type of risk that they
22 are?

23 MR. CARTER: Well, that is a credit report.
24 That's the covenant side. We do not charge them anything
25 for that. That is a company expense. It's a retail
26 credit report.

27 MR. REILLY: Mr. Chairman, as I understand it
28 the company's charges are 12% plus an appraisal fee, is
29 that correct? Are those the only charges?



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2 processed?

3 MR. CARTER: No, sir.

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5 the branch. If the branch is in Vancouver, the appli-

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7 in Halifax, the application is there, then it remains

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22 That's the covenant side. We do not charge them anything

23 for that. That is a company expense. It's a retail

24 credit report.

25 MR. BELANGER: Mr. Chairman, as I understand it

26 the company's charges are 1% plus an appraisal fee, is

27 that correct? Are those the only charges?



1 MR. CARTER: Well, you've got your standard
2 legal fee, sir.

3 MR. REILLY: Yes. Up to 80% of the value
4 of the home, and beyond that you won't go?

5 MR. CARTER: No, I'm afraid not.

6 MR. REILLY: This is quite clear, Mr. Chair-
7 man.

8 MR. CARTER: It is quite clear.

9 MR. LAWRENCE: This is a very commendable
10 brief, sir. There is one other thing, Mr. Chairman,
11 before letting him leave. I just wondered why you
12 don't quote the 12% interest rate in the brochure?

13 MR. CARTER: We do quote 1%, I agree, per
14 month. It seems to be public thinking, no other reason.
15 We did debate this at great length in the office when
16 we were preparing the brochure whether we would put 12%
17 per annum or say our interest rate is 1% per month. As
18 I am sure all of you realize, gentlemen, 1% per month
19 is actually an actuarial yield of 12.7% per annum. In
20 point of fact the mortgage agreement is written at 12.00%
21 actuarial per annum. It's purely a matter of selling, if
22 you like, Mr. Lawrence.

23 MR. LAWRENCE: I'm not criticizing --

24 MR. CARTER: No, I realize that. I'm afraid
25 it's competition, if you like.

26 THE CHAIRMAN: Well thanks very much, Mr.
27 Carter, for your very excellent brief and we appreciate
28 your coming before the Committee. Thank you very much.
29 Mr. A. Posluns?
30



MR. CARTER: Well, you've got your standard

legal fee, sir.

MR. REILLY: Yes. Up to 80% of the value

of the home, and beyond that you won't go?

MR. CARTER: No, I'm afraid not.

MR. REILLY: This is quite clear, Mr. Chairman.

MR. CARTER: It is quite clear.

MR. LAWRENCE: This is a very commendable

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I am sure all of you realize, gentlemen, 1% per month

is actually an actual yield of 12% per annum. In

point of fact the mortgage agreement is written at 12.0%

actual per annum. It's purely a matter of selling, it

MR. LAWRENCE: I'm not criticizing --

MR. CARTER: No, I realize that. I'm afraid

it's competition, if you like.

THE CHAIRMAN: Well thanks very much, Mr.

Carter, for your very excellent brief and we appreciate

your coming before the Committee. Thank you very much.



1 We will now hear from Mr. A. Posluns, gentle-
2 men, who is associated with Superior Discount Limited.
3 Do you have a prepared brief, Mr. Posluns? Would you
4 care to read your brief?

5 MR. POSLUNS: Yes, sir. Firstly, may I also
6 commend the C.A.C. for what I think is a very fine brief.
7 I am rather a little embarrassed that mine is not nearly
8 as full and complete. It's rather sketchy. I had no
9 idea what was desired but certainly I will be able to
10 answer any questions that may be asked.

11 This company was incorporated in 1948 and is
12 presently a wholly owned subsidiary of Superior Accept-
13 ance Corporation Limited. This company makes personal
14 loans of \$1,500 to \$5,000 and also finances the
15 revolving credit sales of retail stores such as G.E.M.
16 and Woolco.

17 Loans are always secured by a promissory note.
18 A chattel mortgage on household furnishings is usually
19 collateral security to the note. When the sum of the loan
20 warrants it, a chattel mortgage on an auto, and/or a land
21 mortgage, is further collateral security to the note.

22 The charge to the borrower runs from 1 1/3%
23 per month to 2% per month, depending on the risk involved.
24 This charge is all inclusive, and there are no additional
25 charges whatsoever, except life insurance which is
26 optional.

27 Revolving Credit - A credit purchaser signs
28 an application agreement, on which he or she undertakes
29 to make monthly payments. No further security is re-
30



We will now hear from Mr. A. Postuma, Gentle-
men, who is associated with Superior Discount Limited.
Do you have a prepared brief, Mr. Postuma? Would you
care to read your brief?

MR. POSTUMA: Yes, sir. Firstly, may I also
comment the C.A.C. for what I think is a very fine brief
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as full and complete. It's rather sketchy. I had no
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This company was incorporated in 1948 and is
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Loans are always secured by a promissory note.
A chattel mortgage on household furnishings is usually
collateral security to the note. When the sum of the loan
warrants it, a chattel mortgage on an auto, and/or a land
mortgage, is further collateral security to the note.

The charge to the borrower runs from 1 1/2%
per month to 2% per month, depending on the risk involved.
This charge is all inclusive, and there are no additional
charges whatsoever, except life insurance which is
optional.

Revolving Credit - A credit purchaser signs
an application agreement, on which he or she undertakes
to make monthly payments. No further security is re-



1 quired from the purchaser. The charge to the customer
2 is $1\frac{1}{2}\%$ per month, on the previous month's balance.

3 And then I go on to say, - For your further
4 information, we herewith quote the percentage of profits,
5 in relation to the outstanding balances, as of December
6 31st, for each of the past three years. 1960 - 1.777%,
7 1961 - 1.726%, 1962 - 1.260%.

8 We trust that the above information is
9 helpful, but if you require any further details, we shall
10 endeavour to furnish them.

11 THE CHAIRMAN: You don't wish to add anything
12 to that?

13 MR. POSLUNS: We actually operate three
14 companies of Superior Finance Limited which is also
15 a wholly owned subsidiary of Superior Acceptance and
16 this company deals with loans up to \$1500 and is
17 regulated by the Small Loans Act. Superior Discount
18 Limited, as I pointed out, handles these two items,
19 large loans and revolving credit. Superior Acceptance
20 Corporation Limited handles acceptance work, conditional
21 sales contracts and such. We operate throughout Ontario
22 only. We have 25 offices in Ontario spread all over the
23 Province.

24 MR. SEDGWICK: Well, Mr. Posluns, does Superior
25 Discount lend largely on the security of mortgages?

26 MR. POSLUNS. No. While mortgages are involved
27 in many cases, particularly when they get beyond \$3,000,
28 in most instances there is very little equity in the
29 property. The loan is made primarily on the stability of
30



derived from the purchaser. The charge to the customer is $1\frac{1}{2}\%$ per month, on the previous month's balance. And then I go on to say, - For your further information, we herewith quote the percentage of profits in relation to the outstanding balances, as of December 31st, for each of the past three years. 1960 - 1.77%, 1961 - 1.76%, 1962 - 1.60%.

We trust that the above information is helpful, but if you require any further details, we shall endeavour to furnish them.

THE CHAIRMAN: You don't wish to add anything

to that?

MR. FORBES: We actually operate three companies of Superior Finance Limited which is also a wholly owned subsidiary of Superior Acceptance and this company deals with loans up to \$1500 and is regulated by the Small Loans Act. Superior Finance Limited, as I pointed out, handles these two items, large loans and revolving credit. Superior Acceptance Corporation Limited handles acceptance work, conditional sales contracts and such. We operate throughout Ontario only. We have 25 offices in Ontario spread all over the Province.

MR. SIMMONDS: Well, Mr. Forbes, does Superior Finance lend largely on the security of mortgages?

MR. FORBES: No. While mortgages are involved in many cases, particularly when they get beyond \$5,000, in most instances there is very little equity in the property. The loan is made primarily on the stability of



1 the person, their paying habits and credit information.

2 MR. SEDGWICK: Do you have any standard rate
3 of charges for your loans? Let us say a loan of \$5,000--
4 or \$2000 if it's a more usual figure -- what would your
5 rate of interest be?

6 MR. POSLUNS: It wouldn't vary on the amount
7 of the loan. It would rather vary on the security,
8 based on the security of the loan. If a loan is more
9 secure at \$2000, the rate would be lower than \$5000,
10 although it's hardly feasible that a loan of \$5000 would
11 be too far without some kind of security. Perhaps not
12 for the full amount of the \$5000, but I think there
13 would, in every case, it would be considered that there
14 would be some security there.

15 MR. SEDGWICK: How do you arrive at the
16 rate of interest that you charge?

17 MR. POSLUNS: I would think that the rate
18 of interest is arrived at mainly by the costs that
19 are involved and the operation of our company also in
20 keeping with competition, provided that there is some
21 margin of profit left in the meeting of that competition.

22 MR. SEDGWICK: Mr. Posluns, it has been said
23 to me that your average rate would be about 20% -- your
24 true rate; would that be about right?

25 MR. POSLUNS: No, sir.

26 MR. SEDGWICK: How much would it be?

27 MR. POSLUNS: The highest rate we have ever
28 charged would be 2% a month and the effective rate of
29 that is, I believe, 26.82

30



THE AMERICAN SAVINGS BANK, NEW YORK, N. Y.

MR. SEDGWICK: Do you have any standard rate of charges for your loans? Let us say a loan of \$5,000 or \$2000 if it is a more usual figure -- what would your rate of interest be?

MR. POSLINS: It wouldn't vary on the amount of the loan. It would rather vary on the security, based on the security of the loan. If a loan is more secure at \$2000, the rate would be lower than \$5000, although it's hardly feasible that a loan of \$5000 would be too far without some kind of security. Perhaps not for the full amount of the \$5000, but I think there would, in every case, it would be considered that there would be some security there.

MR. SEDGWICK: How do you arrive at the rate of interest that you charge?

MR. POSLINS: I would think that the rate of interest is arrived at mainly by the costs that are involved and the operation of our company also in keeping with competition, provided that there is some margin of profit left in the matter of that competition.

MR. SEDGWICK: Mr. Poslins, it has been said to me that your average rate would be about 30% -- your true rate; would that be about right?

MR. POSLINS: No, sir.

MR. SEDGWICK: How much would it be?

MR. POSLINS: The highest rate we have ever charged would be 2% a month and the effective rate of



1 MR. SEDGWICK: You charge that even when
2 you get a mortgage?

3 MR. POSLUNS: Yes, sir.

4 MR. SEDGWICK: Because I am looking at a
5 mortgage made to Superior Discount, made by the Tommy
6 Windsor property, and the mortgage expresses a rate
7 of 26.82% per annum. Do you consider that a competitive
8 rate, do you?

9 MR. POSLUNS: Yes, sir.

10 MR. SEDGWICK: This mortgage was a second
11 mortgage, that's true, although it was said it me that
12 it was effectively a first mortgage because the first
13 mortgage was very small.

14 MR. POSLUNS: Well, I do not have the details
15 --

16 MR. SEDGWICK: I don't know the name of the
17 borrower, but you certainly lend at a rate of 26.82,
18 the effective rate, on the security of mortgages?

19 MR. POSLUNS: On the security of mortgages
20 our loans are usually, I would say 90%, are 36 months
21 or less. They are open. Where there is some cost
22 involved in the preparation of the loan, that is, if there
23 are legal costs involved or valuation costs involved,
24 then there is a six months closed term for the loan.
25 Otherwise the loan is open and can be repaid at any time
26 without notice or bonus.

27 MR. SEDGWICK: Do you charge bonuses at the
28 time when the loan is put on?

29 MR. POSLUNS: No, sir.
30



MR. SEDGWICK: You charge that even when

you get a mortgage?

MR. FOSHUN: Yes, sir.

MR. SEDGWICK: Because I am looking at a

mortgage made to Superior Discount, made by the Tenny

Windsor property, and the mortgage expresses a rate

of 26.88 per annum. Do you consider that a competitive

rate, do you?

MR. FOSHUN: Yes, sir.

MR. SEDGWICK: This mortgage was a second

mortgage, that's true, although it was said it was that

it was effectively a first mortgage because the first

mortgage was very small.

MR. FOSHUN: Well, I do not have the details

MR. SEDGWICK: I don't know the name of the

borrower, but you certainly loan at a rate of 26.88,

the effective rate, on the security of mortgages?

MR. FOSHUN: On the security of mortgages

our loans are usually, I would say 90, are 30 months

or less. They are open. Where there is some cost

involved in the preparation of the loan, that is, if there

are legal costs involved or valuation costs involved,

then there is a six months closed term for the loan.

Otherwise the loan is open and can be repaid at any time

without notice or penalty.

MR. SEDGWICK: Do you charge business at the

time when the loan is put out?

MR. FOSHUN: No, sir.



1 MR. SEDGWICK: If a man wants to borrow
2 \$5,000 for three years he is obligated to pay \$5,000
3 back, is that right? Does he get precisely \$5,000?

4 MR. POSLUNS: He gets precisely \$5,000.

5 MR. SEDGWICK: His full obligation is to pay
6 back \$5,000 amortized over the term?

7 MR. POSLUNS: They are always amortized over
8 the term and his total obligation is \$5,000 plus the
9 interest.

10 MR. SEDGWICK: Plus the interest. No legal
11 fees?

12 MR. POSLUNS: No, sir.

13 MR. SEDGWICK: No finders fees?

14 MR. POSLUNS: No, sir.

15 MR. SEDGWICK: No bonus?

16 MR. POSLUNS: No, sir.

17 MR. SEDGWICK: And no appraisal fees?

18 MR. POSLUNS: No, sir.

19 MR. SEDGWICK: Just the \$5,000 plus interest.

20 Would it be fair to say that your interest is ordinarily
21 at about the rate of 2% per month?

22 MR. POSLUNS: Well, that is the highest rate.
23 The lowest rate would be 1 1/3%. And that would probably
24 come within the neighbourhood of about 16%, I guess.

25 MR. SEDGWICK: So that your rates run from
26 16% to 2% a month, which is, as we agreed, 26.82% per
27 annum?

28 MR. POSLUNS: I'm not sure if that 16% is
29 accurate -- I'm discussing that now, -- but based on
30 2%, it is likely more than 24. 1 1/3, if it were exactly



1 MR. SEDGWICK: If a man wants to borrow
2 \$25,000 for three years he is obligated to pay \$2,000
3 back, is that right? Does he get precisely \$2,000?
4
5 MR. SEDGWICK: His full obligation is to pay
6 back \$2,000 amortized over the term.
7
8 MR. POSTUMS: They are always amortized over
9 the term and his total obligation is \$2,000 plus the
10 interest.
11
12 MR. SEDGWICK: Plus the interest. No legal
13
14 MR. POSTUMS: No, sir.
15
16 MR. SEDGWICK: No finder's fees?
17
18 MR. POSTUMS: No, sir.
19
20 MR. SEDGWICK: No bonus?
21
22 MR. POSTUMS: No, sir.
23
24 MR. SEDGWICK: And no appraisal fees?
25
26 MR. POSTUMS: No, sir.
27
28 MR. SEDGWICK: Just the \$2,000 plus interest.
29
30 Would it be fair to say that your interest is ordinarily
31 at about the rate of 2% per month?
32
33 MR. POSTUMS: Well, that is the highest rate.
34
35 The lowest rate would be 1 1/2%. And that would probably
36 come within the neighborhood of about 1%, I guess.
37
38 MR. SEDGWICK: So that your rates run from
39 1% to 2% a month, which is, as we spread, 20 to 24 per
40 annum?
41
42 MR. POSTUMS: I'm not sure if that 1% is
43 accurate -- I'm discussing that now, -- but based on
44 the fact that the rate is 1 1/2% to 2% at the present time



1 that way would be 15, 16%. We have never bought a
2 mortgage or sold a mortgage. This is not primarily --

3 MR. SEDGWICK: You carry the mortgage yourself?

4 MR. POSLUNS: Oh, yes. We don't -- we consider
5 them as loans actually and in most cases if there is a
6 default there isn't enough equity in the property to
7 even redeem it.

8 MR. LAWRENCE: Your business really, as I
9 understand it, is more in the loan business and the
10 fact that you are putting on land mortgages is a certain
11 security to what you primarily consider personal loans;
12 is that right?

13 MR. POSLUNS: Yes, sir.

14 MR. LAWRENCE: Some of these cases, of course,
15 you do have a land mortgage as security, you have
16 conditional sales note as collateral security as well
17 as a promissary note?

18 MR. POSLUNS: A conditional sales contract
19 I don't think would come into the terms of the same
20 loan?

21 MR. LAWRENCE: It wouldn't?

22 MR. POSLUNS: I don't think so.

23 MR. LAWRENCE: I know searching titles here
24 in Toronto it is quite prominent on one or two occasions
25 in which the sale notice is put on the security discount.

26 MR. POSLUNS: Oh, yes -- on properties?

27 MR. LAWRENCE: On properties.

28 MR. POSLUNS: Well --

29 MR. LAWRENCE: It is quite prominent in the
30



1 that may be the case. We have never bought a
2 mortgage on sold a mortgage. This is not primarily --
3 MR. BEDGEMAN: You carry the mortgage yourself
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7 default there isn't enough equity in the property to
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12 fact that you are putting on land mortgages is a certain
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14 is that right?
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16 MR. POSTUMS: Yes, sir.
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18 MR. LAWRENCE: Some of these cases, of course,
19 you do have a land mortgage as security, you have
20 conditional sales with an immediate security in the
21 as a promissory note?
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23 MR. POSTUMS: A conditional sales contract
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31 MR. LAWRENCE: I know searching titles here
32 in Toronto it is quite prominent on one or two occasions
33 in which the sale notice is put on the security document.
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35 MR. POSTUMS: Oh, yes -- on properties?
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37 MR. LAWRENCE: On properties.
38
39 MR. POSTUMS: Well --
40
41 MR. LAWRENCE: It is quite prominent in the



1 Toronto area --

2 MR. POSLUNS: I don't know how a conditional
3 sales contract would be registered.

4 MR. LAWRENCE: Well, notice of a conditional
5 sales contract -- (voice inaudible)

6 MR. POSLUNS: Well then you know that they
7 are always payable without notice or bonus.

8 MR. LAWRENCE: You intrigue me by saying
9 there are no other charges on these things. You pay
10 your own legal fees? On all these things?

11 MR. POSLUNS: On all of them.

12 MR. LAWRENCE: You do, eh. Not extra
13 charge to the person involved --

14 MR. POSLUNS: No. In many cases a borrower
15 will come to us -- a potential borrower -- for one
16 reason or another he may change his mind even though
17 the legal work has been done and we have the expense
18 but we never go after the prospective borrower to pay
19 for it. We think it's building good will and in some
20 cases we might not collect it anyhow so we think it's
21 good business on our part not to even --

22 MR. LAWRENCE: I can't hear you, I'm sorry.

23 MR. POSLUNS: Well, I say that when a
24 prospective borrower comes in and arranges for a loan and
25 even though he doesn't complete the loan for one reason
26 or another -- he may change his mind and even though we
27 have had costs involved, such as legal fees or appraisal
28 fees, we don't ask the borrower to pay for it. We
29 assume that cost ourselves. We think it is good business
30



Toronto area --

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MR. LAWRENCE: You do, eh. Now, what

charges to the person involved --

MR. POSTUMS: No. In many cases a borrower

will come to me -- a potential borrower -- for one

percent of interest on any amount that they borrow

and that's all they pay and we have the expenses

but we never go after the prospective borrower to pay

for it. We think it's building good will and in some

cases we might not collect it anyhow so we think it's

good business on our part not to even --

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MR. POSTUMS: Well, I saw that when a

prospective borrower comes in and arranges for a loan and

even though he doesn't complete the loan for one reason

or another -- he may change his mind and even though we

have had costs involved, such as legal fees or sponsorship

fees, we don't ask the borrower to pay for it. We

assume that cost ourselves. We think it is good business



1 on our part to do that. Perhaps that same prospective
2 borrower might come back at some future date. This is
3 all part of our expense, part of our business.

4 MR. LAWRENCE: Superior Acceptance is the
5 parent company and it is a Dominion incorporated company
6 or --

7 MR. POSLUNS: No, Ontario.

8 MR. LAWRENCE: Ontario. All the operations
9 are just here in Ontario?

10 MR. POSLUNS: They are all in Ontario.

11 MR. LAWRENCE: Superior Discount gets into
12 the land mortgage transactions?

13 MR. POSLUNS: Well, loans of over \$1500.00.
14 Of course any loans under \$1500 wouldn't involve land
15 mortgages.

16 MR. LAWRENCE: No. Is Superior Finance your
17 company under the Small Loans Act?

18 MR. POSLUNS: That's right. Yes, sir.

19 MR. LAWRENCE: What's your policy on
20 garnishees -- garnishments as far as salary is concerned?

21 MR. POSLUNS: Well, I would say that our
22 policy is very liberal and where we feel that a person
23 honestly can't afford to pay for a very valid reason
24 there is never any action taken. I would say that
25 garnishees are very few and far between. Very, very few.

26 MR. LAWRENCE: We had some figures quoted to
27 us when we had the representative of the Consumer's
28 Association and I forget the accurate figures but she
29 said that on installment buying their research is that it's
30 a very, very small figure as far as defaults are



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MR. POSTUMS: Well, loans of over \$1500.00.
Of course any loans under \$1500 wouldn't involve land
company under the Small Loans Act?
MR. POSTUMS: That's right, Yes, sir.
MR. LAWRENCE: What's your policy on
MR. POSTUMS: Well, I would say that our
honestly can't afford to pay for a very valid reason
there is never any cotton bales. I would say that
gardeners are very few and far between. Very, very few.
MR. LAWRENCE: We had some figures quoted to
us when we had the representative of the Governor's
Association and I forget the accurate figures but she
said that on installment buying their research is that I



1 concerned, or whatever you call them. Is that your
2 experience?

3 MR. POSLUNS: Yes, very small. And the same
4 thing applies to seizures on chattel mortgages and
5 furnishings. It just isn't done, that's all, because in
6 most cases these people --

7 MR. SEDGWICK: May I ask a question that
8 no doubt springs from my ignorance and I only ask it
9 because it's mentioned in your brief. You say that
10 your profits in relation to the outstanding balances
11 as of December 31st of the past three years were for
12 1960, 1.777 -- does that mean your annual profit?

13 MR. POSLUNS: The annual profit.

14 MR. SEDGWICK: The annual profit. That means if
15 you have an annual balance owing to you of a million
16 dollars it would mean --

17 MR. POSLUNS: It would be \$17,770 profit, for
18 every million dollars that was outstanding.

19 MR. SEDGWICK: And I see in 1962 it dropped
20 to 1.260?

21 MR. POSLUNS: Well, there is a reason for
22 that, it wasn't that business became that much worse or
23 expenses became that much higher. Our volume went up
24 considerably during the year and so this is based on the
25 volume at the end of the year, it wasn't the average
26 volume for the year.

27 MR. SEDGWICK: So that here, for every million
28 dollars that was owed to you, you had a profit of
29 \$12,600?

30 MR. POSLUNS: : That's right.



concerned, or whatever you call them. Is that your

experience?

MR. POSLUND: Yes, very small. And the same

thing applies to seizures on chattel mortgages and
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MR. SHEDWICK: The annual profit. That means

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MR. SHEDWICK: And I see in 1962 it dropped

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volume for the year.

MR. SHEDWICK: So that here, for every million

dollars that was owed to you, you had a profit of

\$17,770



1 MR. LAWRENCE: Getting back to figures quoted
2 to us by the representative of the Consumer's Association,
3 the first percentage figure was a fraction of 1%. I
4 want to know where those figures came from? On the
5 other hand, a few days ago in the Globe and Mail a series
6 of articles on credit, there was a figure of about 30%
7 quoted under corporations under the Small Loans Act in
8 which they had a good deal of trouble with people not
9 keeping up with their payments. I was wondering -- your
10 company I think is the first one we have had before us
11 here under operation of the federal Small Loans Act --
12 what is the experience of Superior Finance as far as
13 this is concerned?

14 MR. POSLUNS: Well, I would think that that
15 figure of 30% is very high and certainly wouldn't apply
16 to us. The 1% figure would be more our own experience.

17 MR. LAWRENCE: In the Small Loans Act -- we
18 have had some, of course, it's federal legislation --

19 MR. POSLUNS: I would be surprised if that
20 were a true figure though. I don't know how it's based
21 or --

22 MR. LAWRENCE: Superior Finance now is a
23 federal company acting under the Small Loans Act. I
24 think you are the first representative we have had
25 registered under the Small Loans Act even though it's
26 federal responsibility, we are getting a number of
27 suggestions here about how to handle the maximum amount--
28 under that Act should be increased. It's \$1500 at the
29 moment. Do you have any views on this?
30



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5 times back, a few days ago in the United States
6 of articles on credit, there was a figure of about 30%
7 quoted from a source which was not Small Loans Act in
8 which they had a good deal to do with people who
9 keeping up with their expenses. I was surprised at the
10 amount I think in the first one we have had before us
11 have been quoted as the Federal Small Loans Act
12 which is the experience of people who are in the
13 this is concerned?
14 MR. ROBINSON: Well, I would think that that
15 figure of 30% is very high and certainly within the range
16 to us. The 1% figure would be more our own experience.
17 MR. LAWRENCE: In the Small Loans Act -- we
18 have had some, of course, it's federal legislation --
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20 were a true figure though. I don't know how it's based
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23 federal company acting under the Small Loans Act. I
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25 registered under the Small Loans Act even though it's
26 federal responsibility, we are getting a number of
27 suggestions here about how to handle the maximum amount
28 under that Act should be increased. It's \$1500 at the
29 moment. Do you have any views on this?
30



1 MR. POSLUNS: Well I think that the -- parti-
2 cularly the area of \$1000 to \$1500 -- should be increased
3 because it's not very practical for any company to lend
4 money at $\frac{1}{2}\%$ per month when their cost of borrowing is
5 higher than that without any other expense. I think
6 that that particular area should be increased because
7 many people who wish to borrow between \$1000 and \$1500
8 could find themselves unable to do so.

9 MR. LAWRENCE: Does your rate of interest
10 increase once you get over the \$1500?

11 MR. POSLUNS: Yes, sir.

12 MR. LAWRENCE: It does. By what -- under
13 the Act you can get 12% for \$1500 and under; is that
14 right?

15 MR. POSLUNS: No. It's 2% up to \$300.00 but
16 it's 1% from \$300 to \$1000 and $\frac{1}{2}\%$, so most of our
17 loans would be under \$1000 and very seldom would we go
18 over \$1000 -- and I mean this is the experience of all
19 small loans companies.

20 MR. LAWRENCE: How does your rate of interest
21 to these people then jump once they get above the
22 restriction of the Small Loans Act?

23 MR. POSLUNS: Well, as I say, from 1 $\frac{1}{3}\%$ a
24 month. The rate would be pretty close to the \$1000 rate.
25 Then you take the combination of 2%, up to \$300 and 1%
26 for \$300 to \$1000. The effective rate is almost 1 $\frac{1}{3}\%$
27 a month, so where a loan is felt to be a one with very
28 little risk the rate would be about the same, but not
29 \$1500 -- I'm talking about a \$1000 loan as compared to
30 a \$1600 loan.



...the area of \$1000 to \$1500 -- should be increased
 because it's not very practical for any company to lend
 money at $\frac{1}{2}$ per month when their cost of borrowing is
 higher than that without any other expense. I think
 that that particular area should be increased because
 many people who wish to borrow between \$1000 and \$1500
 could find themselves unable to do so.

MR. LAWRENCE: Does your rate of interest
 increase once you get over the \$1500?

MR. LAWRENCE: It does, by what -- under
 the Act you can get 1% for \$1500 and under; is that
 right?

MR. POSTMAN: No, it's $\frac{1}{2}$ up to \$500.00 but
 it's $\frac{1}{2}$ from \$500 to \$1000 and $\frac{1}{2}$, as near as our
 loans would be under \$1000 and very seldom would we go
 over \$1000 -- and I mean this is the experience of all

small loan companies.

MR. LAWRENCE: How does your rate of interest
 to these people when they get above the

restriction of the Small Loans Act?

MR. POSTMAN: Well, as I say, from 1 $\frac{1}{2}$ % a
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 little risk the rate would be about the same, but not
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 a \$1500 loan.



1 MR. LAWRENCE: A representative of the
2 consumers group had a few stinging words to say about
3 the actions of the partners towards revolving credit.
4 She felt that certainly this is one field where -- I
5 could quote volumes if we had the transcript but I don't
6 think we do have -- that is completely breaking down.
7 People are getting involved in these department store
8 revolving credit accounts and really don't know what they
9 are getting and really don't know what they are paying.
10 Is Superior Discount the one here in Ontario which runs
11 your revolving credit account machinery?

12 MR. POSLUNS: Yes.

13 MR. LAWRENCE: Do you have any warning for
14 people or do you disclose to them at all what is the
15 true rate of interest that they are paying?

16 MR. POSLUNS: Yes, there is literature on
17 that which clearly indicates that it is $1\frac{1}{2}\%$ on the
18 previous month's balance. This is a combination between
19 charge accounts and revolving credit. That is, if they
20 pay off the account within 30 days there is no charge
21 whatsoever. We couldn't afford to operate on this basis
22 unless we were to receive some commission from Woolworth,
23 who own the Woolco Stores or G.E.M., who operate also a
24 discount store, or any of the others.

25 MR. LAWRENCE: So they pay you for running
26 the revolving credit accounts?

27 MR. SEDGWICK: Then you charge the borrower
28 $1\frac{1}{2}\%$?

29 MR. POSLUNS: We charge the borrower $1\frac{1}{2}\%$ per
30 month. There is a great deal of paper work involved in



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who own the Woolco Stores or G.E.M., who operate also a

discount store, or any of the others.

MR. LAWRENCE: Do they pay you for running

the revolving credit account?

MR. SHAWEN: Then you charge the borrower



1 the revolving credit. The average outstanding would be
2 small -- about \$60.00 -- that means we would collect
3 90 cents for that month's billing. When you take into
4 account that every charge has to be posted, every payment
5 posted and every charge is microfilmed. They have to
6 be filed, the statement has to be made out, all posted.
7 Their charges are all enclosed -- you probably have
8 received them from the department stores -- and postage
9 is involved, time and so forth -- it's just not payable
10 transaction at all. It just helps the stores to increase
11 their volume.

12 MR. LAWRENCE: Are any of your operations
13 involved in the automobile financing business?

14 MR. POSLUNS: No, sir. We did at one time
15 but we found that to be -- well, there were just too
16 many losses involved.

17 MR. LAWRENCE: Too many losses involved.
18 Your relationship between your Superior Discount and
19 Superior Finance, do you, in Superior Finance let's say,
20 if somebody comes in to you for a loan and they are a
21 customer of Superior Finance and then they exceed the
22 small loans limit, do you try to keep the business in
23 the family, of course, do you funnel them over to the
24 next desk, to Superior Discount, which --

25 MR. POSLUNS: Well, actually, it's the one
26 office that handles all three accounts.

27 MR. LAWRENCE: It is, all three. If somebody
28 walks into you they don't really know whether they are
29 dealing with -- until they sign the papers -- with
30



1 The first thing I noticed when I came to the office was
2 small -- about \$50.00 -- that means we would collect
3 90 cents for that month's billing. When you take into
4 account that every charge has to be posted, every payment
5 posted and every charge is microfilm. They have to
6 be filed, the statement has to be made out, all posted.
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26 office that handles all three accounts.
27 MR. LAWRENCE: It is, all three. It somebody
28 walks into you they don't really know whether they are
29 dealing with -- until they sign the papers -- with



1 Superior Finance, Superior Discount or Superior
2 Acceptance.

3 MR. POSLUNS: Well, I think they are told
4 if it is over \$1500 it's a discount company, under
5 \$1500 it's a finance company.

6 MR. SEDGWICK: Your letterhead says (voice
7 inaudible) --

8 MR. POSLUNS: Yes.

9 MR. SEDGWICK: Your regular letterhead has
10 Superior Finance under it, Superior Acceptance Corpor-
11 ation Limited and Superior Discount, is that right?

12 MR. POSLUNS: But the signature at the bottom
13 will indicate which company it is.

14 MR. BUKATOR: There was some talk in this
15 Committee quite some time ago about the fact that if a
16 man buys a refrigerator and finances it, often they will
17 come in and take a chattel or a lien on the rest of their
18 property, or some of the property in their home. Have
19 you ever run across this particular problem? How do
20 you feel about disclosure -- if this Committee should
21 decide on the Legislature should try to pass the
22 necessary -- such as the rate of interest charged on
23 your bills?

24 MR. POSLUNS: Well, to start with I would
25 say that I think the rate should be disclosed. I'm
26 not quite sure as to how it should be disclosed because
27 I think there is a great deal to be said for disclosing
28 it on an effective annual rate but there is also a great
29 deal to be said for disclosing it on a monthly rate on
30



Superior Finance, Superior Discount or Superior

MR. BOZMANS: Well, I think they are sold

if it is over \$1500 it's a discount company, under

MR. SELLWICK: Your honorable says (voice

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MR. BOZMANS: Yes.

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1 the unpaid balance. When you try to determine what the
2 rate is on the annual, so much depends on whether you
3 deduct the finance charges to begin with or whether it's
4 an amortized loan or balloon payment, whether you don't
5 do these things. When a man pays a greater payment
6 than he is supposed to -- a man makes a loan of \$600
7 and is supposed to pay, say, \$ 20 a month but he finds
8 a means to pay \$40 a month, he is only paying on the
9 unpaid balance. I think this is more meaningful to a
10 borrower when he knows the sooner he pays it off the
11 smaller his balance and the less are his charges. I
12 think that the way the Small Loans Act operates in
13 disclosing the rate on the unpaid balance is --perhaps
14 this would be more understood by these people. Whether
15 there is any way of changing that once a man is told
16 that this is the rate on the unpaid balance, -- of
17 course the word "unpaid balance" should always be there--
18 then I think that people would know what they are
19 paying.

20 MR. BUKATOR: Then you are quite in agreement
21 with --

22 MR. POSLUNS: Yes I am for disclosing it --
23 I'm not quite sure which is the best method.

24 MR. BUKATOR: We're not either, I guess,
25 for the time being.

26 MR. MACDONALD: Mr. Posluns, you said that
27 you rarely make a seizure in the instance of chattel
28 mortgages. You also commented that you rarely take
29 legal action in the instance of land mortgages because
30



the unpaid balance. When you try to determine what the
rate is on the annual, so much depends on whether you
deduct the finance charges to begin with or whether it's
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there is any way of changing that once a man is told
that rate is the rate on the unpaid balance, -- of
course the word "unpaid balance" should always be there
then I think that people would know what they are
paying.
MR. BURKATOR: Then you are done in agreement
with --
MR. POSNANS: Yes I am for disclosing it --
I'm not quite sure what is the best method.
MR. BURKATOR: We're not either, I guess,
for the time being.
MR. WATSON: Mr. Posnans, you said that
you rarely make a reference in the instance of chattel
mortgages. You also commented that you rarely take
legal action in the instance of land mortgages because



1 there usually isn't an equity there. Well, I take it
2 the main purpose of the mortgage then is to just to
3 depend the sense of committment?

4 MR. POSLUNS: I would say yes. That's just
5 about the --

6 MR. MACDONALD: How frequently would you --
7 I suppose it would depend on what yardstick you are
8 going to use now -- how frequently would you take
9 action in seizing on chattel mortgages?

10 MR. POSLUNS: On chattel mortgages I would
11 say, well perhaps there might be the odd case or two a
12 year, on chattels.

13 MR. MACDONALD: Well then, what do you do?
14 Do you, in effect, wipe out the loan as a bad debt?

15 MR. POSLUNS: I think you will find that is
16 true with most companies. We are not alone in this.

17 MR. MACDONALD: What percentage of default
18 do you run into?

19 MR. POSLUNS: We run into about $1\frac{1}{2}\%$ through-
20 out the whole chain.

21 MR. LAWRENCE: The whole chain -- all three
22 companies?

23 MR. POSLUNS: All three companies.

24 MR. SEDGWICK: By that you mean ultimate
25 defaults or defaults which may be caught up by pressure
26 being put to bear?

27 MR. POSLUNS: Ultimate. Our defaults would
28 be about 2%.

29 MR. SEDGWICK: You recover about half of them?

30



usually isn't an equity there. Well, I take it the main purpose of the mortgage then is to just to depend the sense of commitment?

MR. POSTUMS: I would say yes. That's just

MR. MACDONALD: How frequently would you --

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Do you, in effect, wipe out the loan as a bad debt?

MR. POSTUMS: I think you will find that is

true with most companies. We are not alone in this.

MR. MACDONALD: What percentage of default

do you run into?

MR. POSTUMS: We run into about 15% through-

out the whole chain.

MR. LAWRENCE: The whole chain -- all three

companies?

MR. POSTUMS: All three companies.

MR. SEDGWICK: By that you mean ultimate

defaults or defaults which may be caught up by pressure

being put to bear?

MR. POSTUMS: I think you mean ultimate

be about 2%.

MR. SEDGWICK: You recover about half of them?



1 MR. POSLUNS: We recover about approximately
2 one-third.

3 MR. MACDONALD: This percentage you quote is
4 on your volume?

5 MR. POSLUNS: On volume outstanding, not on
6 the volume of business done -- it would be higher on
7 the volume of business done, -- but on the volume of
8 business outstanding.

9 MR. LAWRENCE: That would be written off
10 as uncollected bad debts?

11 MR. POSLUNS: Yes.

12 MR. WHITE: I have a few questions. I don't
13 know how significant they are but I hate to be left out.
14 On this 1.260% on outstanding balances, if you are
15 borrowing \$9.00 for every dollar of equity, then your
16 profit on equity would be ten times that amount, or 12%
17 on equity, I suppose. Is that a -- I don't want you to
18 reveal your ratio, but is that about the ratio of
19 indebtedness to equity in this type of business?

20 MR. POSLUNS: Yes.

21 MR. WHITE: About 9 to 1?

22 MR. POSLUNS: About 9 to 1. It might be with
23 some companies. We are not a public company. Our
24 borrowing is all done -- well it comes from two sources,
25 banks and insurance companies -- and our borrowing would
26 be less than -- our equity would be more than 1 to 4.

27 MR. WHITE: Your equity is about --

28 MR. POSLUNS: At this point about 1 to every
29 3 dollars borrowed.

30 MR. WHITE: So then, your profit is four times



1 MR. POSTONS: We recover about approximately

2 MR. MACDONALD: This percentage you quote is

3 on your volume?

4 MR. POSTONS: On volume outstanding, not on

5 the volume of business done -- it would be higher on

6 the volume of business done, -- but on the volume of

7 business outstanding.

8 MR. LAWRENCE: That would be written off

9 as uncollected bad debts?

10 MR. LAWRENCE: Yes.

11 MR. WHITE: I have a few questions, I don't

12 know how to phrase them, but I want to ask you

13 on this \$1000 of outstanding balance, if you are

14 borrowing \$9.00 for every dollar of equity, then your

15 profit on equity would be ten times that amount, or 10%

16 on equity, I suppose. Is that a -- I don't want you to

17 reveal your ratio, but is that about the ratio of

18 indebtedness to equity in this type of business?

19 MR. WHITE: Yes.

20 MR. WHITE: About 9 to 1?

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26 MR. WHITE: Your equity is about --

27 MR. POSTONS: At this point about 1 to every

28 3 dollars borrowed.

29 MR. WHITE: So then, your profit is four times



1 that?

2 MR. POSLUNS: On equity, yes.

3 MR. WHITE: Do you borrow from your affiliated
4 companies?

5 MR. POSLUNS: Well, all the borrowing is done
6 by the parent company. They, in turn, lend it to the
7 affiliated companies at the same rate.

8 MR. WHITE: Your profit figure doesn't really
9 prove a lot, I suppose, because there are reserves and
10 such like. I mean I am puzzled as to why you put it
11 in here actually.

12 MR. POSLUNS: Well, I thought perhaps this
13 might be meaningful to you. I didn't know whether this
14 was of any significance at all but when you are dealing
15 with rates perhaps it does have some bearing.

16 MR. MACDONALD: You keep a reserve for bad
17 debts?

18 MR. POSLUNS: Yes, sir.

19 MR. MACDONALD: An annual --

20 MR. POSLUNS: An annual reserve for bad
21 debts of 2%. This, of course, is a figure that's agreed
22 upon by the Department of Income Tax and ourselves. I
23 mean you can't just set up any figure you like, it's
24 one that the Department will agree is a fair one because
25 this affects your profit and your income tax.

26 MR. WHITE: Is there a level at which the
27 reserve cannot go beyond?

28 MR. POSLUNS: I think they base the decision
29 on the experience of your company. I think with some
30



MR. POSTLUND: On equity, yes.

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MR. POSTLUND: Well, all the borrowing is done

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one that the Department will agree as a fair one because

this affects your profit and your income tax.

MR. WHITE: Is there a level at which the

reserve cannot go beyond?

MR. POSTLUND: I think they have the discretion

on the experience of your company. I think with some



1 companies it might be lower and some companies higher.

2 MR. WHITE: I was curious as to why you charge
3 up to 2% on secured loans and 1½% on unsecured revolving
4 credit loans but perhaps we answer the question -- does
5 Woolco and G.E.M. pay a service charge for that?

6 MR. POSLUNS: Yes, they do and besides we
7 have certain expenses that are not inherent in the
8 revolving credit. We don't advertise, we don't pay any
9 rent and we operate an office within the store.

10 MR. WHITE: And I suppose if the indebtedness
11 isn't paid it's recourse?

12 MR. POSLUNS: At some stores it's with
13 recourse and some without and then the amount of
14 commission we get from the store varies depending on
15 whether it's with or without recourse.

16 MR. WHITE: And you've got no recourse on
17 the loans so it sometimes has to be higher, is that
18 how it works?

19 MR. POSLUNS: Yes, that's right.

20 MR. WHITE: Now, I want to make sure I under-
21 stood another remark you made and that is that all these
22 loans are amortized over the period -- is there no
23 balloon payment ever at the end?

24 MR. POSLUNS: That's right.

25 MR. WHITE: Well, Superior Discount would not
26 have any dealers as such. They are doing business
27 directly with the borrower; correct?

28 MR. POSLUNS: That's correct, on loans, yes.

29 MR. WHITE: Not on revolving credit obviously.
30



companies it might be lower and some companies higher.

MR. WHITE: I was curious as to why you charge

up to 2% on secured loans and 1% on unsecured revolving

credit loans but perhaps we answer the question -- loan

Woolco and G.E.M. pay a service charge for that?

MR. FORBES: Yes, they do and besides we

have certain expenses that are not inherent in the

revolving credit. We have a revolving credit line with

them and we operate an office within the store.

MR. WHITE: And I suppose if the indebtedness

isn't paid it's a resource?

MR. FORBES: At some stage, yes, when

resources and some without and then the amount of

commission we get from the store varies depending on

whether it's with or without resource.

MR. WHITE: And you've got no resource on

the loans so it sometimes has to be higher, is that

how it works?

MR. FORBES: Yes, that's right.

MR. WHITE: Now, I want to make sure I under-

stood another remark you made and that is that all these

loans are amortized over the period -- is there no

balloon payment even so?

MR. FORBES: That's right.

MR. WHITE: Well, Superior Discount would not

have any dealers as such. They are doing business

directly with the borrower, correct?

MR. FORBES: That's correct, on loans, yes.

MR. WHITE: Not on revolving credit ob-



1 MR. POSLUNS: On revolving credit, in many
2 instances we don't see the purchaser. All our corres-
3 pondence is direct between us and the purchaser, but
4 sometimes they will pick up an application in the store,
5 fill it out and drop it in the box. Based on the
6 application if the credit is approved you never see that
7 purchaser.

8 MR. WHITE: Now then, Superior Acceptance
9 are buying trade paper from dealers presumably, with
10 or without recourse, depending on the nature of the
11 agreement with the dealer. Now what do you think of
12 the current practice -- if a consumer goes and buys a
13 refrigerator and pays a very scanty down payment, of
14 adding in some other possession, perhaps a television
15 set bought and paid for some time previously? I know
16 that this is happening and I frankly think it has
17 dangerous consequences. I would like your comments on
18 that.

19 MR. POSLUNS: Well, this is news to me. I
20 never heard of it before. I personally always adopted
21 the attitude that if you have good intentions to pay,
22 anything that you have as security should be lodged.
23 I think that's the same kind of attitude your banker
24 would take with you if you were borrowing a great deal of
25 money from him. I know that I am personal guarantor to
26 the bank or to any other lending institution that I borrow
27 from. And I have no qualms about it, because I feel that
28 certainly I have intentions to pay that loan.

29 MR. WHITE: Well, I know this is the argument
30



instances we don't see the purchaser. All our correspondence is direct between us and the purchaser, but sometimes they will pick up an application in the store, fill it out and drop it in the box. Based on the application if the credit is approved you never see that purchaser.

MR. WINTER: Now then, Superior Associates are buying trade paper from dealers presumably, with or without recourse, depending on the nature of the agreement with the dealer. Now what do you think of the current practice -- if a consumer goes and buys a refrigerator and pays a very handy down payment, of adding in some other possession, perhaps a television set bought and paid for some time previously? I know that this is happening and I frankly think it has dangerous consequences. I would like your comments on that.

MR. FORBES: Well, this is new to me. I never heard of it before. I personally always adopted the attitude that if you have good intentions to pay, anything that you have an ability should be allowed. I think that's the same kind of attitude your banker would take with you if you were borrowing a great deal of money from him. I know that I am personal guarantor to the bank or to any other lending institution that I borrow from. And I have no qualms about it, because I feel that certainly I have intentions to pay that loan.

MR. WINTER: Well, I know this is the argument



1 but of course it removes a check on the dealer. If I
2 may --

3 MR. POSLUNS: Well then you are getting into
4 a different area of selling someone a television set
5 that perhaps he is going to have trouble with and if
6 the dealer isn't a reputable one and he won't accept
7 the return of it then, of course, that's something else
8 again. I think that in the main -- and this we have
9 learned from experience -- that the healthiest, happiest
10 way to remain in this business is not to do business
11 with dealers whom you have any question about.

12 MR. WHITE: Your firm would have no objection
13 if the appropriate government passed a law restricting
14 collateral to the goods actually purchased on a
15 conditional sales contract?

16 MR. POSLUNS: Well in our case it's always
17 been that way. We have never secured a conditional
18 sales contract with any other goods or any chattel
19 mortgage.

20 MR. WHITE: I think the chattel mortgage
21 has to be written maybe on the other goods. I think
22 that's the legal technicality but the effect is that
23 the fellow who purchases the refrigerator also pledges
24 other furnishings that have been paid for sometime
25 previously.

26 MR. POSLUNS: Well, as I say, we have never
27 run across that.

28 MR. WHITE: Well now, would you have any
29 objection if the appropriate government required 10%
30 down payment ?



but of course it removes a check on the dealer. If I

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MR. POSLUNS: Well, as I say, we have never run across that.

MR. WHITE: Well now, would you have any



1 MR. POSLUNS: No, I wouldn't. I think that
2 a man purchasing something should be in a position to
3 pay at least 10% down.

4 MR. WHITE: And yet you are likely doing
5 business with dealers who require no down payment, I
6 suppose?

7 MR. POSLUNS: It's on a very rare occasion
8 that we would accept a contract without at least a 10%
9 down payment.

10 MR. WHITE: Now when you refer to these
11 contracts being open, of course it means that the
12 borrower can repay the note at any time? He does not
13 get -- if he took a 2-year loan and if the finance
14 charge was, let's say, \$200.00 and if he repaid at
15 the end of one year, he wouldn't get \$100.00 back
16 would he?

17 MR. POSLUNS: No. The rebate chart -- and
18 I have one here if you would like to see it -- the
19 rebate chart is based on the plan of 78 and it's one
20 that has been adopted by the Bankers' Association and
21 perhaps other finance companies. The acceptance
22 companies use the same one, at least the larger
23 acceptance companies.

24 MR. WHITE: You are really getting back the
25 rent on the money itself, which is only --

26 MR. POSLUNS: Yes, you are getting back --

27 MR. WHITE: Now, my final question is: What
28 portion of your loans would be secured by a mortgage --
29 a mortgage on property?

30



1 MR. FOSBURN: No, I wouldn't. I think that
2 a man purchasing something should be in a position to
3 pay at least 10% down.
4 MR. WHITE: And yet you are likely doing
5 business with dealers who require no down payment. I
6 suppose?
7 MR. FOSBURN: It's on a very rare occasion
8 that we would accept a contract without at least a 10%
9 down payment.
10 MR. WHITE: Now when you refer to these
11 contracts being open, of course it means that the
12 borrower can repay the note at any time? He does not
13 get -- if he took a 5-year loan and if the finance
14 charge was, let's say, \$200.00 and if he repaid at
15 the end of one year, he wouldn't get \$100.00 back
16 would he?
17 MR. FOSBURN: No, the rebate chart -- and
18 I have one here if you would like to see it -- the
19 rebate chart is based on the plan of 78 and it's one
20 that has been adopted by the Bankers' Association and
21 perhaps other finance companies. The acceptance
22 companies use the same one, at least the larger
23 acceptance companies.
24 MR. WHITE: You are really getting back the
25 rent on the money itself, which is only --
26 MR. FOSBURN: Yes, you are getting back --
27 MR. WHITE: Now, my final question is: What
28 portion of your loans would be secured by a mortgage --
29 a mortgage on property?



1 MR. POSLUNS: I would think about half.

2 MR. WHITE: About half. That's all, thank
3 you.

4 MR. POSLUNS: That is if they are large
5 loans. All the smaller loans are on any --

6 MR. WHITE: Larger meaning over \$1500?

7 MR. POSLUNS: Yes.

8 MR. BELANGER: Mr. Posluns, --(voice inaudible)

9 MR. POSLUNS: Yes. On the revolving credit
10 the rate is $1\frac{1}{2}\%$ per month on the previous month's
11 balance. If the customer chooses to use this as a
12 charge account there is no interest shown on his billing
13 for the first month because it started without a previous
14 balance. Anything that he has bought during that month
15 and paid it off within 30 days there is no charge at all
16 for it. Anything over that, if he goes beyond that,
17 there is this $1\frac{1}{2}\%$. We do receive from the store a
18 commission for handling this business.

19 MR. BELANGER: Suppose we say, let's take
20 for example, a man comes in to purchase a refrigerator
21 and (voice inaudible)

22 MR. POSLUNS: Well that's something else
23 again. This is not revolving credit, that's a
24 conditional sales contract.

25 MR. BELANGER: I see what you mean, yes.
26 Suppose we take it on this basis --(voice inaudible)

27 MR. POSLUNS: We take a conditional sales
28 contract on larger items such as appliances.

29 MR. BELANGER: Well then, what about the
30 rate of interest there?



MR. BELANGER: I would think so. I would think so. I would think so.

you.

MR. POSTUMS: That is if they are large.

loans. All the smaller loans are on any --

MR. BELANGER: Larger amounts over \$1000.

MR. POSTUMS: Yes.

MR. BELANGER: Mr. Postums, -- (voice inaudible)

MR. POSTUMS: Yes. On the revolving credit.

the rate is 1 1/2% per month on the previous month's

balance. If the customer chooses to use this as a

charge account there is no interest shown on his billings

for the first month because it started without a previous

balance. Anything that he has bought during that month

and paid it off within 30 days there is no charge at all

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contract on larger items such as appliances.

MR. BELANGER: Well then, what about the



1 MR. POSLUNS: The rate of interest there
2 is -- that's handled through another company. That's
3 Superior Acceptance Company. There is a 10% added on.
4 It has an effective rate of about $1\frac{1}{2}\%$ a month.

5 MR. BELANGER: (Voice inaudible)

6 MR. POSLUNS: Not in very many cases. This
7 is purely a business reason. Firstly we hope that when
8 this person gets back to work or perhaps has been ill
9 or been laid off, that he will start making his payments.
10 Secondly, if we were to repossess it likely we would
11 realize very little for it after you deducted your
12 expenses in picking it up, storing it, you have certain
13 legal procedures you have to take before you can
14 dispose of it, you have to give them 21 days notice.
15 It just doesn't pay from public relations or from a
16 purely business standpoint and, as I say, very seldom
17 will an article be repossessed. If someone should just
18 get up and move and leave everything, why then -- those
19 would be the rare cases in which they would be
20 repossessed.

21 MR. BELANGER: Well then, suppose we say
22 (voice inaudible)

23 MR. POSLUNS: Again, by the time we got
24 through with a law suit -- in our business we find that
25 most of the people are honest, most of the people have
26 good intentions to repay and we base our credit on
27 our experience and we find that that is the case and,
28 as I say, there is perhaps 2% loss that we take on
29 the overall.
30



MR. POSTUMUS: The rate of interest there
 is -- that's a business reason. There is a 10% added on.
 Superior Assurance Company. There is a 10% added on.
 It has an effective rate of about 1 1/2% a month.
 MR. BELMONT: (Voice inaudible)
 MR. POSTUMUS: Not in very many cases. This
 is purely a business reason. Firstly we hope that when
 this person gets back to work or perhaps has been ill
 in some way, that he will have saved the money
 to pay the bill. If he has not, we will be sorry
 to realize very little for it after you deducted your
 legal procedures you have to take before you can
 dispose of it, you have to give them 21 days notice.
 It does not pay for the lawyer or for the
 legal expenses involved. It is a very costly thing.
 Will an article be repossessed? If someone should just
 get up and move and leave everything, why then -- those
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 the overall.



1 THE CHAIRMAN: Do you have any questions,
2 Mr. Hoffman?

3 MR. HOFFMAN: Yes, Mr. Chairman. I was
4 wondering, in view of the (voice inaudible)

5 MR. POSLUNS: Well, it might sound high but
6 when one takes into consideration the nature of our
7 business you will find that there isn't a great deal of
8 talking to that. There is considerable amount of
9 expense involved in addition to loss. We are not in
10 a position to borrow money at the same rates that banks
11 can borrow, or trust companies can borrow, or insurance
12 companies, and all of this adds up to a sizeable amount.
13 Nor do these offices do the tremendous volume that,
14 for instance, a bank branch would do or a trust company
15 would do.

16 MR. HOFFMAN: (Voice inaudible)

17 MR. POSLUNS: No. It isn't because ours
18 would be lower. I think that would be general through-
19 out the business. A loan company who handles many
20 accounts and an average outstanding which isn't too
21 high, the cost of handling that account would be much
22 higher than an insurance company which handles straight
23 mortgages or even an acceptance company which handles
24 motor cars because this paper automatically comes in
25 without advertising costs and perhaps one girl in an
26 office could handle many of these applications a day
27 because they are most of them with recourse, most of
28 them have the required down payment -- it's a matter
29 of routine approving them. Whereas in handling loans
30



THE CHAIRMAN: Do you have any questions.

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when one takes into consideration the nature of our

business you will find that there is a great deal of

talking to that. There is considerable amount of

expense involved in addition to loss. We are not in

a position to borrow money at the same rates that banks

and business men borrow at. We are not in a position to

obtain credit at the same rates as banks and business men.

But in their office we are not in a position to

obtain credit at the same rates as banks and business men.

For instance, a bank branch would do or a trust company

would do.

MR. HOFFMAN: (Voice inaudible)

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office could handle many of these applications a day

because they are most of them with recourse, most of

them have the required down payment -- it's a matter

of routine approving them. Whereas in handling loans



1 it is quite different.

2 MR. HOFFMAN: (Voice inaudible)

3 MR. POSLUNS: I beg your pardon?

4 MR. HOFFMAN: I wonder -- am I right in
5 that the cost of such loans are between 16 and 24%
6 annually?

7 MR. POSLUNS: Our costs?

8 MR. HOFFMAN: Yes.

9 MR. POSLUNS: They are very close to that, yes,
10 they would be very close to the rate we charge.

11 MR. HOFFMAN: It certainly seems high --

12 MR. POSLUNS: Well, I think on the surface
13 it sound high, I think on the surface it would sound
14 high. I think if I were in your position I would think
15 so too.

16 MR. HOFFMAN: (Voice inaudible)

17 MR. POSLUNS: No, because our losses have
18 only amounted to about 1 1/3% --

19 MR. BELANGER: What was that figure again --
20 your losses?

21 MR. POSLUNS: Our net losses would be about
22 1 1/3%. Now the actuarials are about 2% --

23 MR. LAWRENCE: Is this all three companies --
24 the average of all three companies?

25 MR. POSLUNS: All three companies.

26 MR. LAWRENCE: These figures you have given
27 us here are for Superior Discount alone?

28 MR. POSLUNS: They are for Superior Discount
29 alone.
30



it is quite different.

MR. HOFFMAN: (Voice inaudible)

MR. POSTUMS: I beg your pardon

MR. HOFFMAN: I wonder -- am I right in

that the cost of such losses are between 16 and 24%

MR. POSTUMS: Yes

MR. POSTUMS: Yes

MR. POSTUMS: They are very close to that, yes

they would be very close to the rate we charge.

MR. HOFFMAN: It certainly seems high --

MR. POSTUMS: Well, I think on the surface

it sound high, I think on the surface it would sound

high. I think if I were in your position I would think

so too.

MR. POSTUMS: (Voice inaudible)

MR. POSTUMS: No, because our losses have

only amounted to about 1 1/3%

MR. LAWRENCE: What was that figure again --

1 1/3%

MR. POSTUMS: Our net losses would be about

1 1/3%. Now the actuals are about 2%

MR. LAWRENCE: Is this all three companies --

the average of all three companies

MR. POSTUMS: All three companies.

MR. LAWRENCE: These figures you have given

us here are for Superior Diamond

MR. POSTUMS: Yes, for Superior Diamond



1 MR. LAWRENCE: The same for the others?

2 MR. POSLUNS: Yes, pretty. The going is

3 MR. BUKATOR: Well, I'm going back to my
4 old question again, Mr. Chairman. Is there a possibility
5 that you would tidy up a borrower's house for him if
6 he found himself with many debts and do you have a
7 field representative or someone who would look into this
8 matter for him and try to consolidate his debts for him?

9 MR. POSLUNS: Yes.

10 MR. BUKATOR: You do that?

11 MR. POSLUNS: Yes.

12 MR. BUKATOR: Do you find, at times, that --
13 maybe you have heard of companies that have purchased
14 these debts that are outstanding, simply because they
15 are not too secure, for a lesser amount of money than
16 the figure involved -- let's say that I owe \$300.00 and
17 there was no way of me paying off and yet a man who
18 is going to invest his money is going to pick up all
19 of the debts and maybe my paper could be bought at a
20 discount of one-third of that, \$100.00. Has your
21 company ever done this sort of thing for a client?

22 MR. POSLUNS: No, we have never done that.

23 MR. BUKATOR: You have never done that.

24 MR. POSLUNS: I would think it would be a
25 poor risk if someone would want to sell it to you for
26 \$100.00 -- chances are --

27 MR. BUKATOR: I have known of accounts which
28 are picked up for as little as ten. But when they were
29 put into one basket, only one payment, this individual

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Q. JAMES: The same for the others?

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1 could pay that bill. I'll find someone yet who does
2 this sort of service for the public. I'm going to keep
3 asking that question.

4 THE CHAIRMAN: Mr. White, I believe, has a
5 question.

6 MR. WHITE: I would like to get your comments
7 on this although I know from what you have said that
8 you are out of the car financing field. You did say
9 that, didn't you?

10 MR. POSLUNS: Yes.

11 MR. WHITE: A constituent of mine came to
12 me a week ago, very distressed because of a garnishee,
13 which he thought would cost him his job and because of
14 the degree of indebtedness which made personal
15 bankruptcy almost inevitable. While Art was paying on
16 his indebtedness he ran into a car dealer. This
17 unsophisticated buyer, a year ago, took a car which
18 he owned to a used car dealer and got a somewhat newer
19 used car. The price on the new car was \$1,000.00 and
20 they allowed him \$200.00 on the car that he owned, so
21 he owed them \$800.00. Now the car was no good so he had
22 a lot of expense and he wasn't able to keep up his
23 payments. Two and a half months after he had gotten
24 the car, they repossessed it.

25 MR. POSLUNS: They sold it?

26 MR. WHITE: Yes, the finance -- well, or the
27 dealer. I guess there was recourse on it. And by the
28 way the finance company was considered reliable. It's
29 a well known firm and is in the same category as your
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way the finance company was somewhat reliable. It's

a well known firm and is in the same category as your



1 own company, if I may say so. They have got a good
2 reputation. They sold the car at auction for \$300.00,
3 leaving this young man owing them \$900.00. You see
4 the picture. He lost the car he owned and ended up
5 owing them \$900.00 in addition which he cannot pay. It
6 seems to me the solution to this type of injustice --
7 and I'm inclined to think the dealer was responsible
8 for what looks like this hanky-panky -- I think the
9 solution might be to confine the collateral to the
10 goods being purchased. Then in this case, when the
11 dealer repossesses the car the buyer would not owe him
12 any further sum of money. I only hesitate to make this
13 suggestion to the Committee because it might inhibit a
14 lot of business. Now, can you tell me if it would
15 have any adverse effect on the economic activity of the
16 Province?

17 MR. POSLUNS: I think it would. I don't think
18 that any finance company will accept that paper on that
19 basis unless they had recourse through the dealer.
20 Notwithstanding that, I think that this is a good point
21 and I think it is one I would agree with because the
22 dealer should be well satisfied to repossess the car
23 in addition to the down payment he got. So that this
24 purchaser wouldn't be subjected to any further cost if
25 he wished to give up his car and use his down payment.

26 MR. WHITE: It would automatically police the
27 dealers, wouldn't it?

28 MR. POSLUNS: I would think so.

29 MR. SEDGWICK: Always assuming that the car
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MR. WATERS: It would automatically police the
 dealers, wouldn't it?

MR. POSLUNS: I would think so.

MR. SENWILER: Always assuming that the car



1 was in as good condition when it was repossessed as it
2 was when it was sold.

3 MR. POSLUNS: Yes, I can see the problem
4 there.

5 MR. SEDGWICK: He went in drag races with it
6 for three or four months.

7 MR. POSLUNS: Yes, I suppose he could have
8 wrapped it around a pole or something.

9 MR. LAWRENCE: There was another suggestion
10 made the other day which again falls completely within
11 federal jurisdiction and that was the question of the
12 liability of the holder of a note with recourse. So
13 often in these things the purchaser can't go after the
14 man who has collected the money because he is just the
15 acceptance company who bought the paper. If the
16 purchaser of the paper was responsible, if he was
17 liable for all facets of the transaction of the
18 original vendor and the goods involved, this would
19 inhibit the acceptance corporation --

20 MR. POSLUNS: If he is a reliable acceptance
21 company, as most of them are, I think that eventually
22 if he receives too many of these kind of transactions,
23 he is going to stop the business with the car dealer.

24 MR. LAWRENCE: With the car dealer. Well now
25 I'm not talking about car dealers, I'm talking about
26 refrigerators or television sets or --

27 MR. POSLUNS: I'm just wondering whether the
28 solution wouldn't be the policing by means of licensing
29 all of these people where you receive --
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MR. LAWRENCE: With the car dealer. Well now

I'm not talking about car dealers, I'm talking about

representatives of various kinds --

MR. POSLANS: I'm just wondering whether the

solution wouldn't be the policy by means of licensing

all of these people where you receive --



1 MR. LAWRENCE: Licensing the dealer?

2 MR. POSLUNS: Yes. People who sell
3 merchandise from door to door -- there have been a
4 great deal of complaints about that, those kind of
5 transactions. Even mortgage brokers or money lenders
6 or -- just as the small loans people are. Perhaps even
7 enlarging the powers of the Committee so that they can,
8 with sufficient evidence, discontinue the licence. If
9 the Committee receive a number of complaints about a
10 certain party --

11 MR. LAWRENCE: The licensing body?

12 MR. POSLUNS: Yes, the licensing body might
13 have the power, just as they do in other trades, just
14 as they do in hotels and restaurants --

15 MR. SEDGWICK: Licence everybody --

16 MR. LAWRENCE: We are essentially dealing
17 though with the cost of credit in Ontario. Do you
18 think that these restrictions -- if government moves
19 into this field -- I agree that something is certainly
20 necessary, but do you think these moves are going to,
21 in effect, increase the cost of credit in Ontario?

22 MR. POSLUNS: No, I don't think so.

23 MR. LAWRENCE: For instance, supposing
24 somehow or other -- where a man is being sued on a
25 promissory note the expense to that would be to bring
26 in the original transaction and presumably the acceptance
27 company only goes back to the dealer.

28 MR. POSLUNS: If it's with recourse.

29 MR. LAWRENCE: In effect isn't this going
30 to boost up the cost of credit --? Won't acceptance



MR. TOLSON: Yes, People who sell

merchandise from door to door -- there have been a

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MR. TOLSON: In effect isn't this going



1 companies be a lot more wary of who they take the stuff
2 from?

3 MR. POSLUNS: Yes, I think they will be, but
4 I don't think it would increase the cost.

5 MR. LAWRENCE: You don't think it would
6 increase the cost?

7 MR. POSLUNS: I don't think it would increase
8 the cost. I think that they will be perhaps more
9 careful, more particular as to the kind of people they
10 accept as borrowers. This would be governed mainly
11 by competition and the system you operate, I think that
12 would take care of itself because anyone who charges
13 an excessive rate, is unethical, is soon going to --

14 MR. HOFFMAN: Mr. Chairman, I'm not sure that
15 I got the answer to my question. Mr. Posluns did say
16 that the rate that was charged might be regarded as
17 a relatively high rate but I want to know how that is
18 justified?

19 MR. POSLUNS: It is justified by the various
20 costs that are involved in the operation of a business
21 such as ours. I think if you were to diagnose and
22 analyze the operation that we have, or other companies
23 like ourselves, you would soon realize why, on the
24 surface, this might seem like a high rate. Actually it
25 isn't, taking into account our costs.

26 MR. HOFFMAN: Is there any suggestion then as
27 to how these costs might be brought into line in order
28 that the public might --(voice inaudible) --Do you have
29 any suggestions along that line?
30



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MR. HORTMAN: Is there any suggestion then as to how these costs might be brought into line in order

that the public might -- (voice inaudible) -- Do you have any suggestions along that line?



1 MR. POSLUNS: Well, as I was saying a moment
2 ago, I think the costs will be controlled primarily,
3 can be controlled primarily by competition. We find
4 that competition is getting keener all the time. In
5 the last eight or nine years there have been a number
6 of large finance companies that have come up from the
7 United States, banks have taken over a considerable
8 amount of financing, competition just gets keener
9 and unless you are going to meet competition -- and
10 this is a healthy system we operate under -- you are
11 just not going to get the business.

12 MR. HOFFMAN: I might assume from that, sir,
13 as long as the competition does not come up to the
14 point where it demands you to lower your rate, you
15 will continue the way you are?

16 MR. POSLUNS: As long as we show what we
17 consider a normal profit, reasonable profit, and,
18 keeping in mind that we do have to do some business in
19 order to maintain expenses, to take care of our expenses,
20 that we will keep the rate as low as we possibly can
21 and try to even beat competition if we possibly can as
22 long as we show this nominal profit. By increasing
23 our volume, we have an adequate one to increase our
24 profits as well. Although our percentage will not
25 increase, our x number of dollars will.

26 THE CHAIRMAN: Any other members have any
27 questions?

28 MR. REILLY: Mr. Chairman, most of the
29 questions I had in mind have been answered. I would
30



MR. POSTINGS: Well, as I was saying

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THE CHAIRMAN: Any other questions have any

Mr. Chairman, most of the

questions I had in mind have been answered. I would



1 like to have a rebate chart, however, Mr. Posluns,
2 showing the percentage that you pay back to the
3 borrower. Thank you.

4 THE CHAIRMAN: Do you have a question as a
5 result of the information on the chart?

6 MR. REILLY: No. I have a specific case in
7 mind. I want to consult the chart.

8 MR. O'HEARN: I would like to appear before
9 the Committee -- could I have the opportunity to come
10 in for --

11 THE CHAIRMAN: What is this, Mr. O'Hearn?

12 MR. O'HEARN: I want to appear before the
13 Committee, Mr. Chairman. I want to know whether I can
14 subpoena certain people?

15 MR. SEDGWICK: Well, the Committee, I
16 understand, has a rather large proceeding that began
17 on the 12th of August. But if you and I could get
18 together, I'll do what I can.

19 THE CHAIRMAN: No further questions?
20 Thank you very much for appearing, Mr. Posluns. We
21 appreciate the information you have given. It will be
22 most helpful.

23 MR. POSLUNS: Lots of luck.

24 THE CHAIRMAN: This meeting is now adjourned.

25 MR. O'HEARN: Mr. Chairman, if the meeting is
26 adjourned, when are you going to take into consideration
27 my request of you this morning?

28 THE CHAIRMAN: We are going to adjourn the
29 meeting and will reconvene at a private meeting if it is
30 necessary. This meeting is now adjourned. I would ask



like to have a debate about, however, Mr. Foran,
showing the percentage that you pay back to the

THE CHAIRMAN: Do you have a question as to
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THE CHAIRMAN: No further questions?

Thank you very much for appearing, Mr. Foran. We
appreciate the information you have given. It will be
most helpful.

MR. FORAN: Lots of luck.

THE CHAIRMAN: This meeting is now adjourned.

MR. O'HANNA: Mr. Chairman, if the meeting is

my request of you this morning?

THE CHAIRMAN: We are going to adjourn the



1 members of the Committee to remain. The members of
2 the press and the spectators are not to remain.

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the press and the spectators are not to remain.

THE CHAIRMAN: Thank you very much.

THE CHAIRMAN: Do you have a question or a

point of order? Information on the subject of the

committee? Mr. O'Hara: No, I have a question on the

subject. I want to know if the committee is to

be reappointed? I would like to know before

the committee is reappointed. I want to know if

the committee is to be reappointed. I want to know

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